

Reprint

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

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PAPERS PRESENTED AT
WASHINGTON, D.C.

DECEMBER 28 - 30, 1953

OFFICERS OF IRRA—1954

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

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INDUSTRIAL RELATIONS
RESEARCH ASSOCIATION

WASHINGTON, D.C.

DECEMBER 28-30, 1953

EDITED BY L. REED TRIPP

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PREFACE

The Industrial Relations Research Association presents in this volume papers delivered at its Sixth Annual Meeting at Washington, D. C., December 28-30, 1953. That meeting, extending over two and one-half days, included an unusually full program, with many concurrent sessions.

As in the past the Association's policy has been to avoid duplicate publication where the proceedings of joint sessions are being published by another Association. Members will find the programmed meetings on Wage Determination in the American Economy, Inflationary Pressures in an Economy of Large Bargaining Units, and Regional Wage Differentials published in the American Economic Review Supplement for 1954. Other meetings sponsored jointly with other Associations are published in Parts III, IV, VI, VII, and VIII of this volume.

For those meetings covered in this volume we have been able to include nearly all of the main papers and most discussants' comments. In many instances outstanding speakers who had participated on the basis of oral comments went to considerable effort to provide us with written drafts of their remarks. Only one session had to be omitted completely because two of the three main papers were unavailable in written form. It is believed that the coverage of the volume may be considered generally good in view of the large program presented this year. It will contribute once more to the lively interest in current issues of industrial relations.

L. REED TRIPP, *Editor*

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Part I

PRESIDENTIAL ADDRESS

GOVERNMENT AND INDUSTRIAL RELATIONS IN A FREE ECONOMY

EWAN CLAGUE

Commissioner of Labor Statistics, United States Department of Labor

THE SUBJECT OF MY TALK today selected itself. As a career man in the government service, I can speak appropriately about government and its functions. To a membership meeting of our Association, it is natural to speak about industrial relations. And, finally, in view of the lessening of government controls during the past year, it is natural to reflect again on the problems of a free economy. It is six years now since I last spoke on this subject. That was at the Labor-Management Conference on Working Together in a Democratic Society sponsored at Cornell University by the New York School of Industrial and Labor Relations. I recall the incident vividly because my speech was practically the last item of a long conference, on an exceedingly hot afternoon in August, and on the day when the Taft-Hartley Act became law! Many of the problems I mentioned then still confront us today.

The central theme of that address, and of my talk today, is that government has to play a significant role in industrial relations. It is not a question of getting the government out of the field entirely; the problem is to define and work out the most constructive role which the government can play.

In the days of the Mercantile System, before the days of the Industrial Revolution, it might be said that the government was not concerned with industrial relations; but this was simply because there were no industrial relations. The government regulated the economic system itself; prices, wages, markets, apprenticeship, and all the major factors of the operating economy were controlled by the government. With the advent of the Industrial Revolution and the growth of the free enterprise system, the government relaxed its controls on the economic factors, but soon found itself then engaged in problems of labor-management relations. Those of you who have read the Commons' History of Labour in the United States, or the story told by the Webbs in England, will remember that the government in the early 1800's took an active part in almost all industrial disputes. This was the era of the doctrine of conspiracy by means of which the government vigorously opposed the most elementary operations of a

trade union. Despite the active opposition of employers and the handicaps of a generally unsympathetic government, the workers stubbornly fought to establish and maintain unions. By the closing decades of the nineteenth century, the labor movement had acquired a certain legal and social status, although it still had limited public sympathy and no government support.

At that time the union movements in both England and the United States came to a significant turning point in their development. In both countries it became apparent that the skilled workers could be successfully organized in unions despite all obstacles. But it became equally clear that the unskilled workers in the mass production industries constituted a different problem. The great strike of 1890 on the London docks, which led to the mass organization of the unskilled, soon changed the character of the British movement. Within about ten years the labor unions had turned to political action by the formation of a Labor Party. Within a quarter of a century they had captured control of the British Government. Within another quarter century they had eliminated the Liberal Party and acquired such political supremacy that they were able to introduce Socialism on a small scale into the British economic system.

In the United States the sequence of events was quite different. Here political activity accompanied and even preceded effective union organization. In the early 1880's the Knights of Labor expanded into a Nation-wide political power, and then quickly faded from the scene. At the same time Samuel Gompers founded the National Association of Unions which became the American Federation of Labor. The experience of Gompers and the trade unionists with the Knights of Labor and similar organizations convinced them that political activity was harmful to economic organization. As a result the American labor movement is almost unique among the labor movements of the world in its strong emphasis on economic action and minor emphasis on political action.

Another consequence of this early doctrinal warfare is that trade unionism in this country has never been socialistic. Individual labor leaders have from time to time been Socialists, and labor at times has favored government ownership in certain fields of economic activity, but, in the main, the labor movement has been for the maintenance and preservation of the free enterprise system. Labor, fully as much as business, has supported the principle of keeping the government out of the strictly economic decisions of prices, wages, profits, etc. I think it could be said that the organized farmers in this country have

injected far more government control into their segment of the economy than labor has ever asked for in the industrial field.

Likewise, the American labor movement has been consistently anti-Communist. In the 1920's, when comparatively little was known about the new revolutionary Soviet system in Russia, the American Federation of Labor took a vigorous anti-totalitarian stand. The Federation has never ceased to point out that government-controlled unions are not free unions, whether in Soviet Russia, Hitler's Germany, or Mussolini's Italy. This viewpoint is shared by the Congress of Industrial Organizations and by most independent unions in this country. In 1949 the Congress of Industrial Organizations expelled those unions which they determined to be Communist-led. Probably no labor movement in the world is as free from Communist sympathy as the American.

Of course, trade unionists, just like other citizen groups in a democracy, took an active part in local, State, and national politics. They did so, however, on the basis of candidates and issues, not through the formation of a labor party. The Gompers' slogan of "Reward your friends and punish your enemies" is still the labor doctrine.

It is not surprising that the emphasis of union political pressures from the 1890's to the early 1930's was on restricting government activity in industrial relations. Labor fought against court injunctions, against the use of troops in strike situations, and in general against the tendency of the courts to make the unions subject to the Sherman Anti-Trust Act. Marked success from the union point of view was achieved in the passage of the Clayton Act in 1914 which relieved labor of anti-trust responsibility and granted freedom from certain other restrictions. This was hailed at the time as "Labor's Magna Carta."

During the next five years the emergency of World War I brought great expansion to the unions, although most of the gains were swept away in the postwar reaction. A brief summary of the developments of the period can be found in Albert Epstein's article in the *Monthly Labor Review* for October 1951. This period came to a close with the passage of the Norris-LaGuardia Act in 1932. The trend was still in the direction of freeing the unions from government restrictions, particularly the use of court injunctions against strikes.

In forty years the labor movement had come a long way in the achievement of legal recognition and public approval. Government

action no longer exhibited features of antagonism to unions and their activities. In some of the legislation there was even a hint of government approval of unions. This final step took place in the next few years. First, the NRA gave government approval and support to the organization of both labor and management for purposes of economic recovery. Then in 1935 in the passage of the Wagner Act it was stated explicitly that the development of collective bargaining was to be established public policy. With this step the government had moved a full circle from opposition to support. In addition, however, the Wagner Act aimed at getting the government out of industrial relations proper by establishing procedures for labor-management relations, procedures which would enable the parties to solve their own problems without direct government intervention in the issues.

Then in 1935 came the organizing development in the United States which corresponded to that which occurred in Great Britain in 1890, namely, the organization of the workers in the mass production industries. Since that time there has been somewhat more concerted political action by the American labor movement, but even now, nearly twenty years later, there are few signs of the formation of a labor party and still fewer of any interest in permanent government controls or in Socialism. From a political point of view, the unions have achieved the goal of government recognition and support for the principle of collective bargaining. The Taft-Hartley Act of 1947, while it reversed in some respects the trend of the last fifty years, did not fundamentally alter the situation.

In the light of this brief history of government intervention in industrial relations in the United States, where are we now, and where ought we to go next? There is in this past record no basis for moving in the direction of Socialism, or permanent government ownership of critical industries, or even limited government controls over prices and wages. That is the direction in which the democratic governments and the labor movements of Western European countries have moved; but these are not good precedents for the United States. It is true that in some of these countries a large measure of industrial peace has been achieved, although such happy experience is by no means universal. Strikes do occur even under government ownership and control, with the additional unfortunate result that every strike then becomes a challenge to the sovereignty of government.

But industrial peace is not necessarily the highest goal in a modern economic system. Has the direction in which the European

democracies moved been in the best interests of a productive economy? The experience of recent years would indicate that it is not. Since the advent of the Marshall Plan and the foreign economic cooperation activities of the United States through ECA-MSA-FOA, a good deal of information has become available on the comparative performance of American and foreign economies. International productivity comparisons are still too meager to draw any firm conclusions, but such information as we have would seem to indicate that industrial productivity in Western European countries is not only far below that in the United States, but also below what it reasonably could be. Neither labor nor management in those countries is as productivity-conscious as in the United States. The intervention of government may have in some countries and at some times brought about a higher measure of industrial peace than we have here in the United States, but the result has not been to enhance productivity. The economic losses due to industrial disputes may in the long run be only a fraction of those brought about by uneconomic practices. In the industrial field we do not want "peace at any price."

From another part of the world we get another example which often seems persuasive to the public in a crisis and which has some advocates in this country. That is the establishment of compulsory arbitration as a national policy. This has been the general trend in New Zealand and in the State and Federal Governments in Australia. During some thirty years the establishment of wages in Australia has been determined by a system of special courts designed to hear the facts and decide the issues.

Superficially, compulsory arbitration seems to have some of the hallmarks of success in achieving industrial peace. It is easy to point out specific instances in which the government decision has settled the issue. Undoubtedly, it is an advantage in war emergencies to have a regular system of government controls available for emergency use. On the other hand, many of the advantages of compulsory arbitration are illusory. It does not wholly prevent strikes. In fact, the record shows that Australia and New Zealand have about as serious a strike problem as the United States—at times, an even more serious one. Furthermore, the strike statistics have a somewhat different meaning in a country with a compulsory arbitration policy.

But the more serious disadvantages of compulsory arbitration are in its effects on economic policies. Compulsory arbitration has brought the government into economic decisions to such an extent

that the Australian economic system is probably seriously influenced by this procedure. When the government makes decisions which govern the economy with respect to prices and wages, a free enterprise system in the true meaning of the word ceases to exist. Conscientious and responsible collective bargaining is unlikely to take place because the major emphasis will be on the government hearings and the government decision. The government thereupon becomes responsible not only for each decision, but for the operation of the economy as a whole. In Australia the government courts have at times compelled employers to keep operating in order that the government's wage decision might be sustained. Perhaps some of you noted in the New York Times of December 18 that the New South Wales Labor Government has enacted a bill making membership in trade unions compulsory for workers and giving preference in employment to trade unionists. Here is a brief quotation from the Times article:

"The bill obliges everyone earning up to \$4,500 yearly to join a union within twenty-eight days after the measure receives the Governor's assent subject to limited exemptions in Government's discretion and a provision for the exemption of conscientious objectors.

"The Labor Party defends the act on the ground that compulsory unionism will make it impossible for Communists to gain control of the unions since 95 percent of the compulsory recruits to the unions will be anti-Communists."

I doubt if either management or labor in the United States would be enthusiastic about this step, even in the light of its laudable objectives.

But the question may still be asked, "What harm has resulted from compulsory arbitration in Australia?" Australia has a free society with free unions and with a democratic government. In many respects it is a model for the Free World. But Australia is a new country, something like the United States was a century ago. It should be exhibiting the dynamic, driving economic expansion which the United States experienced, and is still experiencing. Yet productivity in Australia is low by American standards. Business enterprise has not the initiative that it displays in the United States. In some ways the Australian economy is old before its time. It has the characteristics of a settled, staid economic system and not those of an

expanding one. Obviously, no one governmental procedure is responsible for it. But I think that compulsory arbitration must have had some effect.

The elimination of the above two alternatives suggests a third—could the government retreat altogether from industrial relations, leaving management and labor to fight their battles in their own way? Such an alternative is impractical and impossible.

Corporate business and organized labor have grown to such an extent that they dominate large areas of American economic life. So long as their relationships are amicable and peaceful, no problem arises. But when industrial strife occurs among these giants, it affects an entire community, a State, or even the Nation as a whole. Many industrial disputes which would be of little significance to the general public when conducted on a strictly local basis become a matter of great concern when they become industry-wide or Nation-wide. Under these circumstances, the public as a whole—meaning other industries and other workers as producers and as consumers—may suffer losses even beyond those of the disputants. So, while government may not find it necessary to take over the management of the economic system in order to deal adequately with the problem of industrial relations, it does find it necessary to work out the “rules of the game” under which these voluntary associations may operate with public approval. The objective of these rules is, as stated by Secretary of Labor Mitchell recently, “to protect each party from the predatory instincts of the other and the public from outright danger.”

So we may safely conclude that government will continue to be concerned with industrial relations. The question is how to do it in the most constructive way.

One aspect of government interference will certainly be negative or prohibitory. There are sure to be regulations concerning the conduct of both unions and employers’ associations in collective bargaining, their activities during an industrial dispute, and the individual rights of both workers and employers.

But I want to discuss briefly some of the positive steps which government can take to improve the functioning of a free society with free organizations of labor and management. How can the government keep its activities at a minimum while still fostering a system of labor-management relations which will provide the maximum degree of freedom in the economy?

One of the tried and firmly established activities of government is conciliation or mediation. Such action is not government interference; it is a constructive government function designed to assist the parties in arriving at agreements. The Federal Mediation and Conciliation Service has been operating for forty years. Some States have established conciliation services which have performed well, and there have been local community efforts to do the same thing. Toledo, Ohio and Portland, Oregon are only two examples among many. The possibilities of conciliation have just been discussed at our meeting this morning, and there is no need for me to repeat here. I do want to add, however, that conciliation, to be effective, must be administered by skilled, experienced personnel on an absolutely impartial and non-political basis.

Another possibility for government action is the encouragement of voluntary arbitration. Arbitration can be developed in a variety of ways. Nor need there be any government monopoly. Most collective bargaining agreements make provision for arbitration as the terminal point in grievance procedure, but few provide for arbitration in the achievement of a new contract. Much can be said for a system of permanent arbitration in disposing of grievances, but in resolving stubborn disputes over the terms of new contracts, it is better to work through panels of arbitrators who can serve temporarily. The latter is the type of dispute in which the government ordinarily gets involved. The objective of government in arbitration is to insure that it has provided assistance without assuming responsibility for the terms of the agreement. Acceptance of the arbitration must be voluntary on both sides, although sometimes it is possible to obtain the agreement of both parties in advance to accept the decision, whatever it may be.

Another service which government can perform is to furnish statistical and analytical information on the economic system, such as statistics of prices, wages, employment, hours of work, productivity, etc. Ample evidence of the need for this kind of service by the government is demonstrated by the requests from unions, employers, conciliators, arbitrators, judges, and others connected with industrial relations problems. Government data are sometimes the only ones which are wholly acceptable. Employers' organizations collect substantial amounts of information on wages, for example, but these are often not available to the public or to the unions. Likewise, some unions maintain competent research departments

which compile and analyze economic data for use in negotiations. But official government figures are often the final resort. I want to quote from a letter which we received not so long ago from an employer :

“One of the basic problems that we face in these discussions is lack of up-to-date data. Prejudiced individuals on both labor and management sides will sometimes find isolated cases of mills paying either very high or very low wages and will draw unwarranted conclusions as a result. The only truly authoritative source of information on this problem, information that is vitally needed to provide a framework for negotiations, is the Bureau of Labor Statistics.”

The need for statistics and other information as an aid to labor-management relations is recognized in the Taft-Hartley Act (Section 211) which provides for the maintenance by the Bureau of Labor Statistics of a file of collective agreements and the furnishing of “factual information which may aid in the settlement of any labor disputes.”

Of course, statistics are not the final solution of industrial relations problems. They may not be used at all; and sometimes their only use is to rationalize a decision reached on other grounds. However, statistics are worth while just for those occasions when an appeal to the facts will produce an agreement. Also, public opinion will often be influenced by a factual statement of the case. To be most useful, government statistics must be prompt, accurate, and absolutely unbiased. Note that long-term escalator contracts would not be possible without reliable statistics.

When all these tools have been used—conciliation, arbitration, statistics—there still may not be an agreement. Then what next? For most of industry and for most peacetime occasions, the answer is “Let them fight.” Strikes are in some sense the safety valve of the economic system. Let the parties discover that both of them suffer in this kind of a dispute. Since economic power is the final appeal, let the relative economic power decide the issue. In this sense, strikes are the signs of a free economy, one in which labor is free to strike and the employer is free to close down his business temporarily or permanently. The inconvenience and economic loss to the public in a strike will often be much less than the long-run costs of government intervention.

However, we cannot avoid the \$64 question, What is to be done in national emergencies? There are times and places when the public is convinced that there must not be an interruption of work under any circumstances. For our discussion here today, I am omitting wartime emergencies. These constitute a special problem, and a most serious one. But for the present we can concentrate our attention on the peacetime problems of emergency disputes.

For government action in emergencies I have several suggestions (which are not at all original with me). One is that the definition of an emergency should be as narrow and limited as possible. Oftentimes the public, in anticipation of trouble and alarmed at possible consequences, sees an emergency where none really exists. For example, local transportation systems have closed down without producing the expected paralysis of trade. Losses—yes; disaster—no. The government—whether Federal, State or local—should declare an emergency only as a last resort and only when it is clear that a work stoppage must not be permitted to continue.

Second, in planning for emergencies the government should not determine in advance all the procedures which it will follow. If these are all spelled out in a law, then the parties will be encouraged to exhaust all the steps specified. It is better to treat each emergency as a special case and to handle it individually. Then the parties cannot know for sure just what the government will do, and the government can adjust its action to the circumstances and requirements of the particular dispute.

Third, in spite of all efforts to settle the dispute, the government may be compelled to step in on an emergency basis. Then won't we have come at last to compulsory arbitration, or government wage-fixing, or some other long-run government intervention? Not necessarily, it seems to me, if we can devise machinery for keeping government intervention both limited and temporary. This idea has been spelled out elsewhere in more detail than I shall try to do here. But the central idea is a simple one—whatever the government does should not be wholly satisfactory to either party.

For example, seizure has been a useful device on a number of occasions, but the terms of seizure have not always been such as to hasten the ending of the dispute and the return of the properties to the owners. If the government action designed to insure continued production, whether it be seizure or some other device, is quite satisfactory to one party, then that party is content to let government

control continue for a long time, perhaps indefinitely. If the workers get the wages and working conditions which they would have been willing to accept from the employers, then they have no incentive to bargain further; they will wait until the employers are willing to accept those terms. Likewise, if the profits of the business are being insured by continued government operation, why should the employers want to have the dispute turned back to them for settlement?

If we can devise administrative machinery for doing so, the ideal method for dealing with emergency disputes would be for the government to provide for losses by both sides. For example, if the government fixes on wages and working conditions during government operation, the increases could be impounded and held in a fund to be disposed of when a final settlement is reached with employers. So, too, some of the profits might be set aside, say, enough to pay the wage increases originally requested by the workers. During government operation both parties would be under strong incentives to reach an agreement as soon as possible. In this way, government intervention in emergencies would be care-taking and temporary. The final solution would be a collective bargain between the parties.

There is no simple way of reaching this last objective. The action would have to be different in different industries and under different circumstances. Suppose it is a proposed wage decrease which starts the dispute? Suppose there are no profits to impound? What other devices are there for putting growing pressure on both sides to reach an agreement and to put an end to government intervention or control? I cannot deal adequately with these in my talk here today, so I end by saying that I feel reasonably confident about the soundness of the last objective, namely, to make sure that neither party benefits by government control, and that both parties have strong incentives to end it as soon as possible.

Part II

HOW TO CURB COMMUNIST INFLUENCE IN INDUSTRIAL RELATIONS

COMMUNISM IN AMERICAN TRADE UNIONS

PHILIP TAFT
Brown University

RADICALISM IN THE AMERICAN LABOR MOVEMENT is not a new phenomenon. From its very beginning, going back to William Skidmore in the early 19th century, social radicalism sought to gain a foothold. There can be no denying that both individuals espousing heterodox ideas and the ideas themselves played an important role in shaping the character and outlook of American organized labor. Reformers of every variety have tried to impose their peculiar brand upon the movements of labor that emerged over time. Prior to the establishment of the American Federation of Labor, it was not unusual, although not common, for splits on ideological grounds to develop. It was such a split in the Cigarmakers' organization which sharpened Gompers' hostility to dual unionism and to the Knights of Labor and was a contributing factor in stimulating the tendency which eventually led to the setting up of the American Federation of Labor.

While the American Federation of Labor welcomed unions and workers of every political and social hue, the leadership developed a predominantly anti-collectivist bias. On both ideological and practical grounds, Gompers and his close co-workers looked upon every form of collectivism with hostility, and some of the arguments presented by Gompers against the collectivist state have a decidedly modern ring. In fact, as one reads Gompers' attacks upon his Socialist opponents, one begins to doubt the novelty of the views of the Hayek-Jewkes school of modern individualism. Although he was opposed to the Socialists on the ideological level and questioned their enthusiasm for an independent political party of labor, Gompers never doubted the integrity or the sincerity of the Socialists as trade unionists, that is of those who, unlike the dogmatic Marxists affiliated with Daniel DeLeon's Socialist Labor Party, were opposed to dual unionism. Socialist doctrine might be attacked upon the floor of the American Federation of Labor; Socialist policy might be questioned, but never their loyalty as trade unionists or their right to participate as officers or members in the trade union movement. In fact the Socialists played an important role in the labor movement, not only as leaders and organizers but they furnished a training

ground for many officers and executives, many of whom became less radical in their political and social views under the impact of their trade union experiences. It should be noted that the Socialists who were active in the American Federation of Labor seldom acted as a solid phalanx on issues. While all might approve of independent political action and a vague and distant Socialism, they by no means held similar views on union management. Among Socialists in the trade unions one found exponents of the purest type of craft organization as well as of the more militant industrial unionist.

The October Revolution of 1917 in Russia introduced in this area, as in many others, tremendously important changes. These changes are closely related to the views on Party organization of the founder of modern Communism and the Soviet State, Vladimir Lenin, who advocated a party of professional revolutionists acting under orders of the central committee and dominating every sphere of labor activity. Such a view could not have much influence upon the trade unions of the United States or Western Europe, but its importance increased with the successful Bolshevik Revolution which enabled the Bolsheviks to split off the left wing of world Socialism and create organizations and attitudes akin to their own.

The formation of the Communist (Third) International which followed in 1919 marks an important step. Among its objectives was to "subordinate the factory committees and the unions to the Communist Party, and thus create a proletarian mass organ, a basis for a powerful centralised party of the proletariat. . . ."¹

In furthering its aim, the Third International appointed, in 1920, a Provisional Council of Trade Unions whose task was to unify revolutionary activity within the trade unions. A congress was held for this purpose in Moscow in 1921, and this "Congress paid special attention to the working out of a program of action which fully coincides with one adopted by the Third Congress of the Third International."² While the trade unions were denounced as counter-revolutionary and as organizations which serve the interests of the employer, the Communist tacticians, including Lenin, urged their followers to remain in the so-called reformist organizations and to convert them to a revolutionary policy. Communists were to con-

¹ *Theses and Statutes of the Third (Communist) International* adopted by the Second Congress — July 17-August 7, 1920. (Moscow: Communist International, 1920), pp. 16-17.

² *The Red Labor Union International* (Chicago: The Voice of Labor, 1921) p. 7.

centrate upon winning conservative trade unions to their views.⁸ In the general assault upon the trade unions, the American Federation of Labor was given a considerable share of attention. At the meeting which launched the Red International of Labor Unions, the *Profintern*, the American Federation of Labor was denounced "as most reliable tool in the hands of the bourgeoisie for suppressing the revolutionary movement. . . Therefore the question of creating revolutionary cells and groups inside the American Federation of Labor and independent unions is of vital importance."⁴

At the time the industrial arm of World Communism was created the labor movement of the United States was resisting a well-organized attack by American industry organized under the banner of the "American Plan". Many locals and members gained during the expansion of unionism in the first World War were swept aside by the aggressive attack of organized business. Employers in such industries as steel, the metal trades, the packinghouses and others refused to recognize or to continue the recognition of the unions in their plants. While the unions sought to retain a foothold in the newly organized industries, they had to turn their attention to another campaign, the one that was a part of an international attempt to take over the moderate trade unions and transform them into an arm of a revolutionary political movement. In the United States, the recently formed Trade Union Educational League had been delegated to achieve that purpose. The TUEL, as it was called, was itself the brain child of William Z. Foster who had by then achieved a diversified career in the radical and labor movements. Foster had started as a Socialist, became a member of the Industrial Workers of the World, but soon became disenchanted with the policy of dual unionism followed by that organization. He tried to organize a movement for boring within the moderate unions, and when he failed to attract much of a following, he became an active trade unionist in Chicago, where he gave leadership to the organizing of the packinghouse workers and subsequently played a major role in the drive to organize the steel industry in 1919. Foster had believed in the reorganization of the American trade unions on industrial lines, and under the slogan of "amalgamation" he launched

⁸ A. Losovsky, *The World's Trade Union Movement* (Chicago: The Trade Union Educational League, 1924) p. 83; Lenin, *Left-Wing Communism: An Infantile Disorder* (New York: International Publishers, 1934) p. 34.

⁴ *Resolutions and Decisions Adopted by the First International Congress of Revolutionary Trade and Industrial Unions* (Moscow: No publisher, 1921) p. 31.

the Trade Union Educational League in 1920. The League made little progress, and by 1922 it took on a distinct Communist coloration.

The League divided itself into sections made up of members of different unions. These members were to act as a caucus which was to attempt to seize control over the organizations of labor, and campaigns were launched in a number of organizations. The American Federation of Labor did not stand idly by, nor did the unions which were made the target of the campaign. In fact as early as 1920, the American Federation of Labor had taken the position that it would not recommend the recognition of the Soviet Government as long "as that government is based upon authority which has not been vested in it by a popular representative national assemblage of the Russian people; or so long as it endeavors to create revolutions in the well-established, civilized nations of the world; or so long as it advocates and applies the militarization of labor and prevents the organizing and functioning of trade unions and the maintenance of a free press assemblage."⁵

While the American Federation of Labor recognized the Communists as a danger to freedom, it also noticed the intent of the Communists to capture the labor movement. Consequently, a warning was issued that "this red international is somewhat stronger than at first appears."⁶

In 1922, the Trade Union Educational League, later revealed as the economic arm of the Communist Party, launched its assault upon the trade unions of the United States. The large influx of members in the period 1915 to 1920 posed many organizational problems which were not made easier by the difficulties of resisting employer attacks upon the trade unions. In the Machinists' Union the Communists, operating through the TUEL opposed the administration and were able to rally 26 per cent of the total vote cast in the elections for president of that union in 1922. The Coal Miners' Union was another center for Communist infiltration in this period, but even though the Communists retained some influence for several years, they were, before the end of the decade, driven out of the Coal Miners' Union. Similar campaigns were launched in the Carpenters' Union and in a number of other industries including the railroad, construction, printing and clothing trades. In the latter the Communists succeeded in virtually destroying the union in the

⁵ American Federation of Labor, *Report of Proceedings of the Fortieth Annual Convention*, 1920, pp. 368-372.

⁶ *Ibid.*, 1921, p. 99.

ladies garment trades by calling a strike in 1926 which lasted 20 weeks and cost the union about three and a half million dollars. The Communists refused to meet with such men at the Late Alfred E. Smith and Senator Herbert Lehman. That would be class collaboration and in the end the strike was settled by the intervention of Arnold Rothstein, then the head of the New York underworld.⁷ The union was almost destroyed and conditions in the New York market deteriorated and were only reestablished after the revival of the International Ladies Garment Workers Union in the 1930's.

The open and close affiliation of the Trade Union Educational League with the Communist Party gradually destroyed the former's influence within the labor movement. Willingness of members of the Trade Union Educational League to accept direction from outside groups on union policy made them subject to expulsion, and the influence of this arm of the Communist Party was virtually ended by 1926. This experience of the Communist Parties of other nations in their attempted raids upon their native trade unions was not unlike the experience of the Trade Union Educational League in the United States. As a result, the Enlarged Executive Committee of the Communist International considered the question of fractions within the trade unions during its meetings in 1925. Members of the Communist Party were advised by William Z. Foster that "more attention than in the past must be given to the building of Party fractions in the trade unions. . . At the recent session of the Enlarged Executive Committee of the Comintern the question of building trade-union fractions was one of those greatly stressed." They were important for they "are the instruments through which the Party carries out its policies in the union. . . Our Party must always act as a unit in the unions. This can only be accomplished through the fraction system."⁸

Furthermore, Foster advised in detail how the fractions of the Communist Party were to operate and defines their obligations as Party members. "Among the membership of every local union the Communists must organize themselves into a group which acts as a body upon all problems coming before the organization. If there are Communists on the executive committee of a given local union, they must act together as a fraction though in close connection with

⁷ Melech Epstein, *Jewish Labor in the United States* (New York: Trade Union Sponsoring Committee, 1953) pp. 149-151.

⁸ William Z. Foster, "Party Trade Union Fractions", *The Workers' Monthly*, July, 1925, p. 414.

the general Party fraction of the union. . . In the executive boards of railroad system federations, miners' districts, international unions (A.F. of L.) and in conventions of state federations of labor, international unions and of the labor movement as a whole when Communist representatives reach those bodies they must combine themselves and act as organized units. . . The fractions are Party organs for working within the unions."⁹ Moreover, the Party's instructions were obligatory upon all members, "and no member of the fraction, once a decision is made and policy laid down can in any way take a stand against such a policy, no matter what his opinion may be regarding the correctness of the policy."¹⁰

It must be recognized that the control and influence of trade union organization is one of the more, if not the most, important of Communist activity. It is directed by the national trade union secretary who directs the fractions organized in the unions of important industries. Despite the elaborate apparatus and the effort of the Communists to seize the organizations of labor, their campaigns in the 1920's were a complete failure. As the purposes of the Communists were revealed, the trade unions not only took active steps to frustrate their design, but made membership in such fractions illegal penalized by expulsion. In their anti-Communist campaign the unions were actively supported by the American Federation of Labor which took the rare step of expelling a delegate to its convention from the Silver Bow Trades and Labor Council, who was a Communist editor and who had charged the leaders of the United Mine Workers' Union with corruption. The motion to expel was made by Philip Murray, later the leader of the C.I.O.¹¹ In no union, except the rather small Furriers' Union were the Communists able to win control. They were swept out of influence and by 1928 the Communists had been virtually squeezed out of every organization of labor. This was done by the trade unions themselves.

The complete failure to penetrate the American labor movement in the 1920's was tacitly admitted by the Communist trade union strategists. The fourth congress of the Red Labor Union International informed its followers "Further appeals to the bureaucracy and dependence upon the so-called progressives in the reaction-

⁹ *Ibid.*, p. 415.

¹⁰ M. Jenkins, *The Communist Nucleus* (New York: The Workers Library Publishers, 1929) p. 53.

¹¹ American Federation of Labor, *Report of the Proceedings of the Forty-Third Annual Convention*, 1923, pp. 256-258.

ary unions is useless and wrong. The T.U.E.L. must itself become the basis of organization for the organization of the unorganized."¹² This order was soon followed by a complete change in the trade union line of the Communist Party. The Trade Union Educational League which was an instrument for boring-from-within was liquidated, and was replaced by the Trade Union Unity League, whose task was to establish dual and revolutionary unions in industry. This order was carried out and unions under Communist control were established in the coal mines, the steel and metal trades, textile, clothing and a number of others. An interesting Communist trade union functionary at that time was a George Mink, who was an agent of the Soviet secret police. According to the former police chief of Mexico City, who in turn quoted Mr. Hoover, "the instigator of the attack (on Trotsky) had been a man called Mink, who had arrived in Mexico from Philadelphia a few days previously. This Mink was one of the chief agents of the G.P.U. on whose behalf he had already accomplished important missions in Spain, Japan, U.S.A. and various other countries." This same Mink was head of the Communist-organized seaman's clubs formed to carry on trade union work on the American waterfront.¹³

The Trade Union Unity League was not very successful in organizing locals nor did it enroll many thousands of members. It conducted a few strikes but even more important it served as a training ground for many Communists who were able to gain some experience in organizing workers and running local unions. Soon this experience was to be of some importance.

With the change in national administration in 1933, the labor movement, which had lain dormant through the first years of the 1930's, experienced a great revival. In the space of a few years millions of workers, formerly indifferent or even hostile to unionism, enrolled as members of organized labor. The cause for this revolution in feeling need not detain us, but the size of the present day labor movement is testimony to the power and strength of the change. Immediately the Communist Party dissolved the Trade Union Unity League and ordered its followers to invade the old line unions. "The whole Party must be mobilized for work in the A.F. of L. and a decisive turn towards winning the millions of workers

¹² *Report of the Fourth Congress of the R.I.L.U.* (London: The Minority Movement, 1928) p. 137.

¹³ General Leandro A. Sanchez and Julian Gorkin *Murder in Mexico* (London: Secker and Warburg, 1950) p. 50.

organized in the A.F. of L. unions and the Railroad Brotherhoods and isolating the beaureaucracy.”¹⁴ No union of the A.F. of L. would allow any of the Communist unions to join as a block, but the Party press again instructed the members “to give the maximum amount of attention to the correct organization of the work of fractions in the trade unions taking into account that in connection with the transfer of the old chief attention to work in the A.F. of L., the work of the Communist fraction becomes of decisive importance for insuring the correct work of all the Communists in the trade union movement and in carrying out the Party Line.”¹⁵

Despite these efforts, Communists were not very successful in establishing themselves in many A. F. of L. unions. Aside from some influence in several districts of the Painters’ Union, the Hotel and Restaurant Employees’ Union, they gained only scattered and very limited support. What is the reason for the failure in view of the great expansion in the membership trade unions such as the Machinists’, A. F. of L. Electricians’, Laborers’, Coal Miners’, Men’s Garment Workers’ and others. Communist infiltration and influence were limited because the older unions had a group of experienced officers, schooled in union management and leadership, with pronounced anti-Communist views. Efforts of the Communists to invade these organizations would, and did, meet with stern resistance. The unions themselves disposed of adequate corps of trained agents, capable of meeting the needs of the newly organized. In the mass production industries, dissimilar conditions existed. Trade unions had not been allowed to arise and develop. The use of the blacklist, the informer, the armed guard and the company union to prevent free organization of workers had been effective weapons in preventing the establishment of union organizations. Large industry had not allowed its workers to gain experience in union management, nor could their workers learn to distinguish by experience the trade unionist with his belief in cooperative adjustment and the radical ideologist with his theories of revolution. Irrespective of the rate of growth, the older unions could absorb the new members and integrate them into their own organizations. The consequence was that virtually no Communist problem developed in the older unions.

¹⁴ *The Way Out: A Program for American Labor: Manifesto and Principal Resolutions Adopted by the 8th Convention of the Communist Party of the U.S.A.* (New York: Workers Library, 1934) pp. 76-77.

¹⁵ *Labor Unity*, Feb. 1935, p. 4.

A different situation obtained in the unorganized industries. No unions existed; the workers were unacquainted with the philosophy of unionism, nor did any trade union bureaucracy exist to guide the workers who had recently joined. Consequently, Communist functionaries, who had acquired some skill and knowledge in the organizing schools or in the insignificant Communist unions of the 1920's, now came to the fore. There were not in the unorganized industries any group of leaders who could take hold and keep the newly organized out of the reach of Communist influence. Industry had prevented such a possibility by not allowing free unions to exist in their plants. The knowledge of organization procedures and the willingness, yes eagerness, of Communist functionaries to organize enabled them to gain important positions in many newly-formed unions. With the split in the labor movement, Communist infiltration became easier, for the organizing drives of the 1930's were thereby, at least in part, deprived of the fund of organizers available in the unions of the American Federation of Labor. Working with an inexperienced membership and with leaders who, in many instances, were not as trade unionists schooled above the bulk of their members, the Communists found it easy to penetrate the newly formed unions and secure important places for themselves. This opportunity was furnished by the unorganized industries which must share the blame for the Communist invasion. Whenever an industry was organized by a staff made up mainly of trade unionists as was the steel industry, organized largely by members of the United Mine Workers Union, there the Communist influence was quite insignificant. A similar situation developed in the Textile Workers Union where some anti-Communist leadership existed and the direction of the organization campaign was largely supervised by the old leaders with some assistance from the Amalgamated Clothing Workers of America. In other newly-organized unions, there were no trade union oppositions, and Communists were able to find an important place. The Communists filled a vacuum which existed in American industry, and they are ready to perform the same task if the opportunity should be available to them. Opposition to their control, when it appeared, came from non-Communist trade unionists, and not from industry. In the automobile industry the Communists were, from the beginning, faced with the opposition of men such as Walter Reuther and in other C.I.O. unions oppositions developed more slowly. At one time about 15 unions in the C.I.O. were under Communist domination,

and not a single one of these organizations operated in an industrial division in which an important union had existed prior to 1930. In the case of the International Longshoremen's and Warehousemen's Union, it would have to be modified to mean on the Pacific Coast, because there was a union of sorts on the Atlantic Coast.

While the absence of unionism made Communist infiltration easier, the Communists were aided by the light heartedness with which the leaders of the great organizing drives of the 1930's approached the problem of Communist participation. Despite the experiences of their own unions in the 1920's, John L. Lewis and others were supremely confident that they could employ Communists on organizing missions, allow Communists to become executives of newly-formed unions and at the same time prevent Communist domination of the newly organized. This view was based upon self-confidence plus a misunderstanding of the relations between units of the labor movement. Lewis had been able to rid the United Mine Workers of America of Communist influence in the 1920's and he evidently believed he could duplicate this feat at the opportune time under different conditions. However, he failed to foresee that the relations between international unions are basically dissimilar to those that obtain between an international union and its chartered affiliates. Unlike his own union, Lewis could not exercise control over the new organizations' internal affairs or their negotiations with employers. The new unions were destined to become independent, autonomous organizations, jealous of their prerogatives and, like all other unions, disinclined to take explicit direction from other organizations of labor or leaders from other unions. Moreover, the Communist organizer and executive were in direct contact with the rank and file of the new unions and were in a favorable position to influence and even to determine policy. Opportunism, self confidence and lack of real knowledge of Communist methods and power blinded the early leaders of the C.I.O. to the dangers they were exposing their newly-acquired members to, and made the task of the Communist trade union functionary much easier.

Yet despite the ability of many of the leaders, the Communist influence in the trade unions has been sharply reduced. The C.I.O. has denied Communist unions affiliation, although a partially fellow traveling organization still operates there. It is the non-Communist trade unionist who has cleaned house. It is the worker who has risked his organization built by toil and sacrifice in his fight against Com-

munist penetration. Employers have given virtually no aid, and there is a widespread feeling that some employers have encouraged Communist unions rather than the opposite.

By and large the Communist influence in the labor movement will continue to decline. The unions that have been tarred with the Communist brush can make few gains, for American workers will not join an organization they believe under Communist influence. Although their influence is declining, Communists still retain a hold upon certain workers and unions whose membership is predominantly out of sympathy with Communist philosophy. There are many reasons for the failure to oust this influence completely. With the exception of the International Longshoremen's and Warehousemen's Union all Communist unions have lost membership. Yet considering the climate of opinion and the attitude of the overwhelming mass of workers to that ideology, the losses have not been as great as one might have expected. In part it seems to be an unwillingness to turn out leaders who helped to organize the union; in part it is the control exercised over collective bargaining and grievance adjustment. All of these factors seem to play some role in the difficulty of displacing Communist leadership from the outside. Whenever an alternative leadership such as Reuther in the Auto Workers' Union, Curran in the N.M.U. and Quill in the Transport Workers' arises, there the problem of replacing the Communists is much simpler.

Management in this connection has also a responsibility even though it has no choice in determining its employees' selection for collective bargaining. There is some belief that some firms have gone beyond neutrality and shown favoritism to Communist unions. This is undoubtedly based upon a belief that such a policy offers some short-run advantages, that it keeps the workers split among several unions and thereby prevents unified action, and that it might be easier eventually to oust a Communist-dominated union. Such policies are not unlike those pursued by the Krupps, the Tyssens and other German industrialists toward Hitler. They hated the moderate trade unions under the Weimar Republic, and turned to Hitler for help against them. To support enemies such as Fascism or Communism for temporary advantage is a manifestation of political recklessness and irresponsibility that may unfortunately bring with it punishment to others.

Support of Communist unions on the theory that they, as well as other unions, may be ultimately ousted, shows a complete misunderstanding of the industrial situation. Workers who have experi-

enced organization are not likely to leave their unions in large numbers. The Communists who had few followers with trade union experience were able to burrow into the trade union movement and control, for a time, several major industries and be of predominating influence in a number of others. With a greatly expanded staff of experienced organizers and organization executives, with their immensely increased knowledge of the art of appealing and managing unions and negotiating contracts, the creation of a vacuum by destroying unions is likely soon to lead to the organization of a Communist replacement. It is the labor movement which has reduced the influence of the Communists among the organizations of labor, and a strong labor movement will continue to keep this influence at a low point. This follows from the ability of unions to adjust grievances and protect the interests of the worker, and because trade unions as independent democratic organizations are the sworn and uncompromising enemies of Communism.

DISCUSSION

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SUMMARY OF REMARKS

As a former teacher, I cannot resist the temptation to grade, as well as comment upon, Professor Taft's paper. In doing so, I would give the first half of his paper—that part dealing with the pre-1930 period—an "A". There, he has marshalled the known evidence, summarized it and drawn his conclusions logically from it. But his treatment of the post-1930 period is just a reverse of these processes and merits, I believe, a resounding "F". By contrast, it is wholly speculative, is lacking in evidence, and is illogical.

Let's examine his claim that employers must share the blame for Communist infiltration of unions. His hypothesis is that union organization of mass production industries had been impeded; that this prevented employees from observing and learning about Communist techniques and how to deal with them; and that, therefore, employers enabled Communists to get control.

Yet, Professor Taft himself notes the lack of success which the Communists had in the steel unions where there was no prior organization and he explained this as due to the leadership which was assigned to organizing that industry.

This illustration, I submit, disproves his own hypothesis or theory. It shows that given a *condition* of prior non-organization in a manufacturing industry, Communists either did or did not get control depending upon the leaders to whom the CIO assigned the task of organizing. Thus, the *critical fact*, *determinative fact*, or *causative fact*, if you will, was not the absence of prior organization, but the kind of leadership supplied and assigned by the CIO.

On this score, Professor Taft might have appeared as both a better and more objective historian, if he had reported more specifically and had placed greater significance upon the extent to which the CIO relied upon Communist organizers in its formative period. Present and former CIO officials have confessed that Lewis knowingly and deliberately "took a risk by putting capable Communists in key spots during the initial organizational drives of the CIO."¹ The then and present Secretary-Treasurer of the CIO has explained

¹ Fountain, "Union Guy", p. 67 (1949)

this, saying, "Lewis desperately needed trained organizers in the early days of the CIO . . ." and that he "welcomed the Party Liners."²

The above evidence explodes Professor Taft's theory that the Communists infiltrated unions where they were not recognized for what they were. It shows that they were recognized and assigned by the very top hierarchy of the CIO itself. In the face of such evidence, the ingenious theory of Professor Taft looks like another feeble attempt to trot out and saddle with fault that all-time favorite of whipping horses—big business.

Professor Taft is on even less reliable ground when he alludes to and bases certain conclusions on what he calls a "*widespread feeling*" and "*some belief*" that some employers prefer to deal with Communist unions.

The claim that some employers prefer dealing with Communist unions has only recently been given currency by some CIO union leaders. The charge has never been proved nor evidence offered in support of it. In an age when we all know how the oft-repeated "big lie" can create "*widespread feeling*" and "*some belief*", such asserted conditions do not constitute very persuasive support for otherwise unsupported theories. I don't think it improper to require professors in even the inexact social sciences to support their theories with better evidence than vague allusions to "*widespread feeling*" and "*some belief*". But, in addition, it should be remembered that from 1935 until about 1950, all of the many employers who dared raise a voice about communism in CIO unions were promptly branded as "Red baiters" and "union busters". But in 1949, the CIO finally got around to expelling unions identified ten years before by Congressional Committees as Communist-dominated. When that happened, lo and behold, the new party line suddenly became one of charging that some employers prefer Communist unions.

Such a 180° reversal in position has fooled only the most naïve.

One final remark, since we are considering what to do about communism in unions—and not merely who was at fault. It is the employers who have been the ones most actively urging effective legislation which will identify and eliminate Communist unions—while providing full due process procedures and protections. For the

² Carey, "We've Got the Reds on the Run", American Magazine, Sept. 1948, p. 30. See also: Pitzele, "Can American Labor Defeat the Communists", Atlantic Monthly, March 1947; J. & S. Alsop, "Will the CIO Shake the Communists Loose", Saturday Evening Post, March 1, 1947.

most part, some of the very employers who are claimed to prefer to deal with Communist unions have been charged with improper motives for supporting legislation of this character. And, in general, the employers who have urged more effective legislation have received little or no support in this direction from either the unions or the universities.

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First, I should like to record, though not develop, my disagreement with the theory advanced in Dr. Taft's paper. It is perhaps more important to deal with the comments of Mr. Harris by developing a significant and suggestive, though brief, section of Dr. Taft's talk. It is less than a paragraph in length and deals with the formation of the Communist Trade Union Unity League and mentions a Communist trade union functionary and agent of the Soviet secret police, George Mink by name. Professor Taft writes: "According to the police chief of Mexico City who in turn quoted [Mr. Edgar J.] Hoover, 'the instigator of the attack (on Trotsky) had been a man called Mink, who had arrived in Mexico from Philadelphia a few days previously. This Mink was one of the chief agents of the G.P.U. on whose behalf he had already accomplished important missions in Spain, Japan, U.S.A. and various other countries.' This same Mink was head of the Communist-organized seamen's clubs formed to carry on trade union work on the American waterfront."

In the three sentences, quoted above, we have the most important clues to the nature of Communist activities in trade unions. Despite Mr. Harris's doubts, Communists in unions do double as agents of the Russian secret police. It would be silly to believe that George Mink is the last of the espionage agents in the Communist-dominated unions. Another clue is the choice of the waterfront for Mink's operations. A maritime union under Communist control, offers a cheap international courier service. Accordingly, the trade union activity of Communists must be judged not only by what they can do on the American waterfront, but also by what they can do in any port of the world. Finally, Dr. Taft's passing note indicates that murder is not outside of the scope of Communist agents, masquerading as unionists.

The presence of Communists in unions is not a matter of chance. It is part of a deliberate program, emanating from the Kremlin, to use organizations as "transmission belts" for the international Communist organization.

Although Communists aim to subvert organizations of every type and description, including the government and armed forces, they view the trade unions as the largest and most vital field for their activity. They have varied the strategy and tactics used in their effort to influence or dominate the industrial scene, but they have never lost sight of their goal, which is to serve their masters in Moscow.

When the Communists are through with a union, even its own members don't recognize it. The process is the same in the U.S. as it is in France, England, Italy or Guatemala. A close student of the Communist conspiracy, A. Rossi, has summed it up in his book "A Communist Party in Action" (Yale University Press 1949). Although it is devoted to France, it applies to the United States as well.

"When the Communist wing of a trade-union gains control over its organization, it does not content itself with changing the faces at union headquarters; it proceeds to transform the actual character of the union, its conception of its function, and its position vis-a-vis other organizations. The union becomes a tool, a repetition in miniature of the Communist Party. Henceforth it will be an element in the Party's mobilization plan, and will be expected to contribute, at whatever cost, to the Party's conquest of power. Communist Party discipline takes the place of policy laid down by the federation or confederation to which the union belongs, and this discipline relates not to the normal business of a trade union but to a political struggle whose aims and methods are dictated from Moscow. In reality there is no such thing as Communist Trade-unionism; there are merely Communists who work for the Party inside the trade-unions. And, once it is taken over by the Communists, a trade-union ceases to be a trade-union, for all that it may retain the charter and outward appearance of a trade-union."

The brazenness with which the U.E. proceeds in placing Communists on its payroll is illustrated by the employment of Carl Aldo Marzani after serving a jail sentence in connection with his clandestine Communist activities in various strategic government agencies, including high echelon service in the State Department.

Currently the U.E., nationally, has relegated its collective bargaining to a subordinate position. In negotiated poor contracts with

General Electric and Westinghouse in 1953. The Westinghouse agreement was signed several months before it expired. The Communist apparatus has more important tasks to perform. Among them is the defense of the U.E.'s secretary-treasurer, Julius Emspak, whose Communist Party code name was revealed as Juniper. He was held in contempt of Congress because of his refusal to answer questions concerning his Communist affiliations and activities, which have been well established in sworn testimony. Locals of the U.E. are being solicited for funds to meet these expenses. The "U.E. News" devotes most of its columns to propaganda in behalf of Communists in trouble with the courts and Immigration Service. By the way, the U.E.'s Organization Director, James Matlis, is up for deportation.

This is part of the open pro-Communist activities of the U.E. As to the secret, underground operations of Communists in dominated unions, we must rely upon scattered evidence that comes to light from time to time. Dr. Taft cited the case of George Mink. It is also known that the convicted atom spy, David Greenglass, was an organizer for the U.E. and that his wife did clerical work for two locals of the U.E. But, even more important is the testimony before Congressional committees that the Federation of Architects, Engineers and Technicians was conceived in Moscow, precisely for the purpose of infiltrating agents into secret defense projects.

It is well to recall that during the Stalin-Hitler pact, the then Communist controlled National Maritime Union interfered with the effort to man allied ships and was responsible for the sinking of allied vessels. Skeptics can check with the head of the International Confederation of Free Trade Unions, Omer Becu who was in this country at that time arranging for crews to sail allied vessels. The use of Communist seamen for couriers and other espionage activities was described vividly by Jan Valtin in "Out of the Night."

Let us remember that Harry Bridges' International Longshoremen and Warehousemen's Union is the dominant union in Hawaii and still controls the docks of San Francisco. For a study of the methods used by the Communists to retain control of the maritime unions, I suggest the reading of the "Marine Cooks and Stewards Union", subtitled "A Case History in the Tactics of Communist Unionism." It was prepared as a staff report to the Humphrey Subcommittee of the Committee on Labor and Public Welfare.

Contrary to Mr. Harris's contention that no strikes were called by Communist controlled unions during the Korean War, it should

be pointed out that the Communist dominated Mine, Mill and Smelter Union did strike during this period, ostensibly for wage increases. But it affected copper production of which there was a considerable shortage in 1951 and 1952.

If we bear in mind the cunning of the Communist conspiracy, which has operated with increasing success for more than three decades and is likely to be with us for the rest of our lives, we shall not so readily join Mr. Harris in belittling the damage that Communist-dominated unions are doing and can do to the United States. Not only are they not out, but they are not even down. They still win elections against bonafide labor unions, both in the A.F. of L. and C. I. O. Witness the election results in the Philadelphia Westinghouse plant, where the U.E. received over 5,000 votes against a combined vote of 1,500 for the CIO and AFL. Note how they succeeded in capturing the French and Italian trade union movement immediately after World War II. In this country, Communist efforts to infiltrate the American Labor Movement have taken many forms, as described by Mr. Taft. It is indeed true that the Trade Union Unity League, which was the Communist operation during the depression, was in the words of Dr. Taft "not very successful in organizing locals nor did it enroll many thousands of members", but the TUUL must be rated a success from the Communist point of view, for it created the Communist cadres, who at the peak of Communist influence in 1944, dominated 20 international and numerous local unions. The membership of these unions has been estimated as close to a million.

The Trade Union Unity League has been out of business for a score of years. But, the current which it represents still flows strong through the American industrial scene. It is necessary to mention them here because Mr. Harris, echoing sentiments expressed by many others, belittles Communist influence. In passing, I should note that James Carey and the IUE-CIO which he heads, do not share these views because they have found that the UE is no push-over. In addition to the UE, the Communists still control the Mine, Mill and Smelter Workers, the International Longshoremens and Warehousemen's Union; the Fur and Leatherworkers Union, the American Communications Association; the Distributive, Processing and Office Workers Union. They also wield influence in the United Packing House Workers Union, and Local 600 of the UAW-CIO.

Some months ago, on the basis of lists of wage settlements and representation elections, as published by the Bureau of Labor Stat-

istics, and Bureau of National Affairs, I estimated that the collective bargaining of almost half-a-million workers was dominated by Communists. Their influence is considerably less than during their honeymoon with John L. Lewis and his successor. But what is important to note is that the welcome though belated expulsion from the CIO did not destroy them. It removed Communist-dominated unions from the jurisdiction of the CIO but not of the United States. Moreover, we must not overlook Communist infiltration of A.F. of L. and CIO locals which they may influence without controlling.

A correct reading of the history of Communist methods in American trade unions in the past 35 years could help those active in industrial relations to avoid many old mistakes and perhaps keep them from committing some new ones. The climate for Communists was balmy in many strategic quarters of government, business, education, the professions, and labor during most of the '30's and '40's. These warm columns of air were sufficient to protect the Communists from the hostile blast blowing from the great mass organizations of the country, including the American Federation of Labor.

The American Federation of Labor has always understood the character of this monstrous organization. The president of the A.F.L. has recently described it in these words:

"It has to be approached from an over-all standpoint. To my way of thinking, the Communist Party is not a political party, it's not just political opposition. It's a criminal conspiracy against the Government and should be treated as such. I think we lean over a little too far backwards perhaps at times."¹ No informed person can question the accuracy of Mr. Meany's definition. There was a time when the Communists openly proclaimed their purposes in controlling trade unions. Here is what the top International Communist in the trade union field, A. Losovsky, said:

"For Lenin the trade unions were a part of a mechanism. In all of his speeches he set forth in the following vivid manner: 'The engine is the party, its cogs grip the cogs of the trade union wheel and bring them into motion; the trade unions in turn set into motion the greater masses.' Lenin viewed and valued the trade unions as a school for the education of the masses for throwing the masses into action. For him the trade unions were of value only if they were imbued with the Communist spirit . . . To saturate the unions with

¹ U.S. News and World Report, November 6, 1953.

a Communist ideology, to make them into a machine for the prosecution of the Communist line, to subordinate them to the influence of the Communist Party, to control them, to draw into the revolutionary movement, thru them, tens of millions of toilers, to educate the masses—this was Lenin's aim throughout his policy . . .”

But despite these proclamations, some anti-Communist labor leaders like John L. Lewis thought they could outsmart the Communists. The folly of such an attitude is revealed in the following anecdote: David Dubinsky, head of the International Ladies' Garment Workers' Union, then affiliated with the CIO, remonstrated with Lewis against his collaboration with the Communists. To which Lewis replied: "Who gets the bird, the hunter or the dog?" When Lewis returned to the AFofL for a brief period, Dubinsky lost no time to ask Lewis: "Who was the hunter and who was the dog?"

Along with the Lewis open door policy toward the Communist was the subversion of the NLRB in the thirties. A contemporary account is to be found in the *New Leader* of September 28, 1940. Describing the role of Board member Edwin S. Smith, it wrote:

"He has consistently favored the interests of the Communist wing of the CIO both administratively and in his decisions on cases involving Stalinist-controlled unions that have come up before the Board; and he has aided the Communist Party to use the NLRB as a source of jobs for its patronage machine and to put Communist Party stooges in key positions within the Board. His most notorious decision was the one in the case of the longshoremen of the Pacific coast, in which he helped to hand over to Harry Bridges, notorious leader of the Communist-dominated International Longshore and Warehousemen's union, control of the members of the A.F.ofL. unions in the northern Pacific ports."

According to David J. Saposs, in testimony before the Jenner Committee, on June 4, 1953, Nathan Witt, (repeatedly exposed as a Communist agent), "as Secretary of the Board, was undoubtedly the most influential person in the conduct of the affairs of the Board."

He went on to explain:

"Well, as I mentioned, he was able if any case came in—any case that came in, of course, came to him directly—

"He was able to decide the order in which it was to appear. He was the one that presented a digest to the Board as to the issues in the case. He recommended to the Board what particular action should be taken, and so on, and in that way, of course, he had a

tremendous influence; and also by appointing. You see, the civil service did not apply to the employees of the NLRB, and by appointing field examiners who were the ones, of course, who made the investigations, by appointing the regional directors, by controlling the staff at the national headquarters he was, of course, in a position to exercise the greatest influence of anybody connected with the Board including the Board members."

The power of Harry Bridges in San Francisco and Hawaii is to be traced directly to Communist control of the NLRB in the early years. It is revealed in the following testimony before the same committee:

"Mr. Morris. 'I would like you to develop a little more, Mr. Saposs, the favoritism toward the Harry Bridges' union proposals, and the various labor situations that involved Bridges on the Pacific coast.

"Mr. Saposs. 'The only specific situation that I can cite here is my function as the chief economist, which was to supervise the staff of people that did the economic research which was used in connection with the work of the Board, particularly in hearings.

"When the longshoreman's case of the Pacific coast came up I was not asked to participate or prepare any economic data in that case.

"However, when the record was presented, and I had an opportunity to investigate it, I was surprised that it was primarily a record of the economic history of labor relations and collective-bargaining procedures on the Pacific coast.

"My surmise is that they deliberately kept me from preparing any of the material because by that time they knew what my point of view was and they knew what my general understanding was of the maneuvers, the manipulations of the Communists and the fellow travelers."

This situation accounts for George Meany's comments in the interview already mentioned. After discussing the present composition of the NLRB, he was asked:

"Do you know of any time when past administrations didn't 'pack' it?"

He replied: "No. They 'packed' it with Commies some years ago."

To be against the Communists is not the same as understanding them. We must grasp the nature of their operations and see through their maneuvers. Students of Communist activities in unions have

distinguished seven stages in the development of Communist strategy and tactics during Stalin's lifetime. An eighth stage has begun since his death. One of the phases was the Popular Front in the '30's mentioned by Mr. Harris. This was the period when Communist influence in CIO unions reached its peak. But this does not mean that Communists have not been successful in wrecking unions during their so-called "leftist" periods. Note that the Communists wrecked the Ladies' Garment Union in New York in 1926, from which it did not recover until the N.R.A. They also succeeded in provoking a long and bitter strike in Passaic, New Jersey. The harm that Communists may do in unions is not limited to Popular Front periods as these events show.

Communist behavior in industrial relations cannot be understood in isolation. It must be examined as an interlocking subversion and viewed in relation to the grand strategy of World Communism. The Communist conspiracy is an international evil. It is Evil, Incorporated.

The attitude of Communists to organizations may be likened to the attitude of Don Giovanni to women. Their intentions are decidedly not honorable. They are the arch seducers. Their craving for conquest and power are unlimited. The list of Communist conquests over the years is as long as Leporello's catalogue of his master's lady-loves:

"Milady, here is the catalogue;
Of the beauties that my lord has loved,
I have made a list of every one;
Now, among them there were countesses
Servant-girls and citizens,
Princesses and marchionesses,
There were ladies of every station,
Every form, and every age.
With the blondes it is his custom
To commend their gentle manners,
With the brunettes, constancy,
With the fair ones, their sweet ways.
But his favorite form of sinning,
Is with one who's just beginning.
Whether they be rich or poor,
Fair or ugly, one thing's sure:
Just provided they are women, . . . "

So it is with the Communists. They will infiltrate any organization although they have a particular fondness for labor organizations because of their mass character and strategic importance in their

struggle for power. Once we have learned of Don Giovanni's reputation, we can hardly expect to be forgiven for introducing our female relatives to him. But such is the magic of their deceit that the Communists at this very moment operate in the CIO Packinghouse Workers' Union. What's more astonishing, the Packinghouse workers have worked out a deal with the AFofL Meat Cutters' Union, for united action and eventual merger. In another quarter, District 65 of DPO, unmistakably under Communist control, won limited recognition from the CIO. And the Communist agents in these local unions are already busy entrenching themselves in isolated communities throughout the country. How do the Communists do it? Read Don Giovanni. Or better still, read the history of Communists' intrigue and conspiracy.

That's why Mr. Harris's remarks about the Communists' fear to call strikes or commit acts of sabotage during the Korean War show a lack of awareness of Communist methods. It is not fear. When necessary they can be audacious. If they haven't acted through strikes and sabotage, it is because they are awaiting more opportune times and more destructive weapons. It is also possible, of course, that we are not aware of their subterranean activities, which may not come to light until much later. Were we aware of the espionage of the Hisses, Whites, Fields, Golds, and others while they were going on?

Mr. Harris also asserts that none of the espionage uncovered can be traced to Communist dominated unions. But hearings before Congressional committees show that the Communist-dominated unions were the channels used for infiltrating the atomic installations and radar laboratories. Finally, Mr. Harris' attitude can be summed up in a paraphrase of Noel Coward: "Let's not be beastly to the Commies."

Are we to wait until the Communists have captured the unions in this country as they have in France and Italy before we take action? Are we to continue to bestow government blessing, through the NLRB elections, upon Communist dominated unions? It is clear now that Congress erred in the past in not passing stronger legislation Communist control of unions. It is to the credit of those Congressmen who saw the need for adequate action. It is enlightening to quote the following statement of Senator McClellan during the debate on the Taft-Hartley Law in 1947.

"Let me say that I wish to offer that section of the House bill as an amendment to this bill, because I believe that the rank and file

of American labor are truly American—Americans first and Americans all the way. I believe that while we are enacting legislation on this subject we should give our moral support, with legal sanction back of it, to prohibiting Communists from taking over labor unions, and I believe we should do so by prohibiting the certification for bargaining purposes of labor unions which are dominated by Communists. Such action on our part will give encouragement to the rank and file of labor organizations in America to fight that insidious influence, which is not only dangerous to labor organizations, but is dangerous to the security of our Nation as a whole.”

The power of Congress to pass such a law was upheld by Supreme Court Justice Jackson in the concurring portion of his opinion in *American Communication Association v. Douds* (May 8, 1950):

“I cannot believe that Congress has less power to protect a labor union from Communist Party domination than it has from employer domination. This Court has uncompromisingly upheld power of Congress to disestablish labor unions where they are company-dominated and to eradicate employer influence, even when exerted only through spoken or written words which any person not the employer would be free to utter.

“Congress has conferred upon labor unions important rights and powers in matters that affect industry, transport, communications, and commerce. And Congress has not now denied any union full self-government nor prohibited any union from choosing Communist officers. It seeks to protect the union from doing so unknowingly. And if members deliberately choose to put the union in the hands of Communist officers, Congress withdraws the privileges it has conferred on the assumption that they will be devoted to the welfare of their members. It would be strange indeed if it were constitutionally powerless to protect these delegated functions from abuse and misappropriation to the service of the Communist Party and the Soviet Union. Our Constitution is not a covenant of nonresistance toward organized efforts at disruption and betrayal, either of labor or of the country.”

The power and authority and sanction of law must be withdrawn from the Communist dominated unions. In the meantime, it would seem wise for the bona-fide unions to combine their forces when they oppose Communists in NLRB elections.

I would like to recommend that the American trade unions sponsor a clearing house for information on Communist trade union

policies and individual Communists and fellow travelers. Our industrial schools ought to consider the development of special courses on Communist influence in industrial relations. The NLRB ought to have a special division on fighting Communist domination of unions. The Department of Labor should establish an office to deal exclusively with this continuing problem of Communist infiltration. This is a task for labor, management, the schools, and the whole government. Surely, on this momentous problem, we can all unite in a common effort to defeat the greatest evil of our time—Communism.

Part III

BEHAVIOR OF WAGES

WAGES IN THE UNITED STATES SINCE 1914

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THIS PAPER DEALS with one segment of the history of wages in this country, the behavior of hourly earnings in the five industries—manufacturing, class I railroads, building, anthracite and bituminous coal mining—for which we have tolerably satisfactory data from 1914 to 1953. In spite of the considerable amount of work that has been done over the years in this area, the fact remains that the available series are not equally reliable or comparable, that they improve in both respects particularly since the 1930's, and that it is extremely difficult, if not impossible, to construct for this period a record of the movement of the pure rate of wages. For better or for worse, therefore, average hourly earnings, sometimes gross and sometimes net, are here presented as an approximation, or perhaps as a reflection, of changes in the price of labor during these 40 years.

It hardly seems necessary to stress the variegated character of the economic developments of this era and the wealth of experience they must afford to economic historians and theorists. The economic consequences of two great wars, post-war booms of varying duration, several severe business depressions and a succession of minor declines, wholesale governmental intervention in economic affairs in general and in labor relations in particular, and the rise of an extensive and strong labor movement are here to be studied in their relation to wages and working conditions. This does not mean that relationships are always clear and that the conclusions to be drawn from the record are always unmistakable. But it does seem fair to say that the student of wages has before him an unparalleled opportunity to speculate about the influence of highly diverse economic conditions on the course of wages.

In spite of occasional interruptions in the upward movement and substantial cuts in wages on two occasions, both money and real hourly wages multiplied many times from the beginning to the end of the period. All five groups shared in the rise, but some increased more than others. Anthracite coal stood at the top of the list with nearly a 10-fold rise, from \$0.26 to \$2.48 an hour; manufacturing followed with a 7.5-fold increase, and the building trades' rates rose least, something less than 6-fold.

*Per Cent Increase in Average Annual Money and
Real Hourly Earnings, Five Major Industries, 1914-1953*

	Manufacturing	Class I Steam Railroads	Building Trades	Anthracite Mining	Bituminous Mining
Money	657.8	645.8	475.4	839.4	590.8
Real	184.9	180.4	116.3	253.2	159.7

Real hourly wages likewise mounted, but, of course, considerably less than money wages. Thus, while anthracite money wages increased more than 9 times, the real wage rose 3.5 times; the money rise of 7.5 times in manufacturing was matched by an increase in real wages of 2.8 times; and in building, real wages little more than doubled.

The interesting question is when these overall changes in money and real wages between the terminal years, 1914 and 1953, took place, or, put differently, what underlying economic conditions accounted for what, on the face of the data, appears to be an unprecedented multiplication of both money and real hourly wages. Using manufacturing wages to illustrate wage behavior under different circumstances, it is clear that the bulk of the total advance of \$1.47 an hour in money wages in 40 years was a product of the economic conditions of war and post-war boom, when all prices, including the price of labor, rose far and long. From 1914 to 1920, hourly earnings increased 34 cents; from 1940 to 1953, \$1.03. Taken together the advance was \$1.37 out of a total of \$1.47. From 1920 to 1929, the absolute increase was only 1 cent and from 1929 to 1940, 9 cents an hour.

*Average Annual Money Hourly Earnings
Manufacturing, 1914-1953*

	Increase	
	Cents per Hour	Per Cent
1914-1920	34	155
1920-1929	1	...
1929-1940	9	16
1940-1953	103	156

It is when money wages are converted into real wages that really interesting, and perhaps surprising, results are obtained. For real wages in this period showed marked improvement whether money wages were increasing much or little, or whether business conditions were good or bad, favorable or unfavorable to price increases, or whether unions were strong or weak. Accordingly,

from 1920 to 1929, when money wages were stationary, real wages advanced 19 per cent. From 1929 to 1940, when absolute hourly earnings added 9 cents an hour, real wages rose 42 per cent. Still more startling is what happened in the periods 1929 to 1940 and 1940 to 1953. For the earlier period, it will be recalled, the unemployment rate averaged 16.7 and in the later 3.9 per cent. Yet, from 1929 to 1940, real hourly wages increased 42 and from 1940 to 1953, 34 per cent.

This may be a good place to enter a few caveats about the underlying figures, though revising them would not radically affect the results. For the later years, the manufacturing hourly earnings are net, exclusive of overtime. In the early years the data are gross, though we have no idea how much penalty payment for overtime they include. If the 1953 figures are recorded as gross, real hourly earnings, 1940-1953, increase 39 instead of 34 per cent. None of these statistics allow for the wage cost of the fringe issues that have become important since 1940, for the simple reason that their average cost throughout all manufacturing is not known. Another difficulty is that the figures we have been looking at pertain to periods of unequal length, though perhaps of similar character. If, then, we compare what happened, 1914-1929 with 1940-1953, periods of more comparable duration, we find that real hourly wages rose 48.5 in the first as against 34 or 39 per cent in the second period.

*Average Annual Real Hourly Earnings
Manufacturing, 1914-1953*

	Per Cent Increase
1914-1920	25
1920-1929	19
1929-1940	42
1940-1953	34

We have observed that the large increases recorded in money and real hourly wages failed to proceed at an even pace during these 40 years under discussion. There were also times when the upward movement was temporarily arrested and when, during the depressions of 1920 and 1929, hourly wages sharply declined. Because of defects in the raw data and the lack in critical periods of monthly statistics, it is impossible to describe the behavior of wages as fully or precisely as one would like. But piecing materials together, there emerges a fairly clear picture of what happened. Again, using

manufacturing wages as an example, the striking fact is that the drop in money hourly wages was not much greater in the great depression of 1929 than in its predecessor of 1920, having been 22 per cent in the first and 24 per cent in the second depression. Real wages, however, dropped 7 per cent from 1920 to 1922 and actually increased by a slight amount from April 1930 to June 1933, the dates of the peak and trough of that wage movement. For the rest, the changes in wages, 1937-1937 and 1948-1949, not to mention 1924 and 1927, were too small to merit more than a passing reference to them.

Among the five industries, however, there were marked differences in behavior. The most striking are found in the two branches of coal mining, anthracite and bituminous. The anthracite miners went through these many years unscathed, unaffected by business depressions or by the continuing shrinkage in the demand for their product. The bituminous miners, on the other hand, suffered from a prolonged decline in their wages, which began in 1923 and ended in 1933 and left them with their money wages down 41 and their real wages 22 per cent. The only other industry which showed a substantial decline in wages in the second depression was building where money wages fell 28 and real wages 8 per cent.

Excepting bituminous coal, this record suggests that the effects of severe depressions on real hourly wages were brief and slight. When things turned around, money wages recovered swiftly and for some years thereafter anticipated advances in the cost of living.

Comparing the course of money and real wages in the two wars encounters still more formidable difficulties. The first was much shorter than the second. There was no wage control in World War I. It is only in the 1920's that monthly wage statistics begin to be available and then only in manufacturing, on a limited scale. For several of the industries, notably coal mining and rail transportation, wages in World War II were fixed in relatively long-term contracts between unions and the industry. Consequently the dates of changes in the wage level were determined by the dates of the union contracts. This was not the case to nearly so great an extent in the first war. Bearing these factors in mind, such evidence as can be gathered on this matter suggest that money and real wages both rose materially more between 1916 and 1918 than from 1941 to 1945. The difference in manufacturing real wages is small and the only exception to this finding is the building industry whose real wages declined 16 per cent in the first and 5 per cent in the second war.

TABLE I
Annual Average Money Hourly Earnings
Five Major Industry Groups
1914-1953

Year	Manufacturing	Class I Steam Railroads	Building Trades	Coal Mining Anthracite	Coal Mining Bituminous
1914	\$0.223	\$0.251	\$0.468	\$0.264	\$0.359
1915		.258	.474	.298	.357
1916		.271	.483	.304	.377
1917		.312	.528	.410	.486
1918		.459	.605	.556	.618
1919	.477	.548	.702	.648	.641
1920	.555	.664	.933	.757	.799
1921	.515	.643	.930	.785	.848
1922	.487	.593	.869	.825	.791
1923	.522	.592	.955	.823	.845
1924	.547	.602	1.032	.852	.813
1925	.547	.610	1.050	.898	.800
1926	.548	.618	1.090	.879	.786
1927	.550	.629	1.129	.881	.751
1928	.562	.639	1.152	.876	.716
1929	.566	.651	1.157	.871	.681
1930	.552	.661	1.175	.859	.684
1931	.515	.669	1.078	.854	.647
1932	.446	.616	.872	.825	.520
1933	.442	.609	.869	.818	.501
1934	.532	.617	.956	.826	.673
1935	.550	.668	.952	.823	.745
1936	.556	.674	1.003	.833	.794
1937	.624	.692	1.151	.873	.856
1938	.627	.729	1.228	.922	.878
1939	.633	.730	1.251	.923	.886
1940	.661	.733	1.278	.924	.883
1941	.702	.766	1.311	.971	.993
1942	.805	.838	1.371	.989	1.059
1943	.894	.909	1.424	1.069	1.139
1944	.947	.951	1.446	1.178	1.186
1945	.963	.956	1.473	1.252	1.240
1946	1.051	1.132	1.608	1.494	1.401
1947	1.198	1.188	1.813	1.655	1.636
1948	1.310	1.328	2.026	1.809	1.898
1949	1.367	1.442	2.171	1.880	1.941
1950	1.415	1.574	2.273	1.970	2.010
1951	1.53	1.729	2.406	2.20	2.21
1952	1.61	1.836	2.566	2.26	2.29
1953	1.69	1.872	2.693	2.48	2.48

TABLE II
Index Numbers of Annual Average Real Hourly Earnings
Five Major Industries, 1914-1953
 1914 = 100.0

Year	Manufacturing	Class I Steam Railroads	Building Trades	Coal Mining Anthracite	Coal Mining Bituminous
1914	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0
1915		101.5	101.1	111.7	98.3
1916		99.5	95.0	106.0	96.7
1917		97.3	88.4	121.6	106.0
1918		122.1	86.3	140.7	114.8
1919	124.0	126.7	87.0	142.4	103.5
1920	124.6	132.5	99.8	143.6	111.4
1921	129.6	143.9	111.5	167.0	132.6
1922	130.8	141.5	111.3	187.3	132.0
1923	137.7	138.8	120.1	183.6	138.5
1924	143.8	140.9	129.4	189.6	132.9
1925	140.2	139.0	128.3	194.6	127.5
1926	139.4	139.7	132.2	189.1	124.3
1927	142.5	145.0	139.5	193.0	120.9
1928	147.5	149.1	144.1	194.3	116.7
1929	148.5	151.8	144.6	193.2	111.0
1930	148.7	158.3	150.9	195.6	114.5
1931	152.3	175.9	152.0	213.7	118.9
1932	146.9	180.3	136.8	229.8	106.3
1933	153.7	188.2	144.0	240.5	108.2
1934	178.8	184.4	153.2	234.8	140.6
1935	180.2	194.5	148.7	228.0	151.6
1936	180.4	194.4	155.0	228.5	160.0
1937	195.4	192.6	171.9	231.2	166.5
1938	200.0	206.7	186.6	248.6	174.0
1939	205.0	210.1	193.0	252.7	178.3
1940	212.3	209.2	195.6	250.9	176.1
1941	214.6	208.2	191.0	251.1	188.6
1942	222.1	205.5	180.3	230.7	181.5
1943	232.3	209.9	176.4	235.0	183.9
1944	242.1	216.2	176.3	254.6	188.4
1945	240.8	212.5	175.5	264.7	192.6
1946	242.3	232.0	176.7	291.2	200.7
1947	241.2	212.6	174.0	281.8	204.7
1948	245.0	220.9	180.7	286.2	220.5
1949	258.3	242.2	195.5	300.3	227.8
1950	264.6	261.7	202.7	311.5	233.7
1951	265.0	266.3	198.7	322.3	237.9
1952	272.9	276.6	207.2	323.7	241.1
1953	284.8	280.5	216.3	353.5	259.7

This brief survey of the movement of hourly wages in the past 40 years, of course, raises many questions. With some of the important issues suggested by this record, I propose to deal elsewhere in a study which will compare hourly wages with payrolls, employment and productivity. At this time I shall limit myself to a few simple observations about the record I have been describing. First of all, this record demonstrates that the period beginning in 1914 can be accurately described as a high wage era. Although I am not now prepared to prove the point, it is at this time my best judgment that the gains in hourly wages, money and real, made in this period were hardly matched by the wage advances in the half-century preceding 1914. If this is so the price of labor, money and real, did not, in its secular movement, rise at an approximately even rate per year during the last century.

On the much debated question of the effect of organized labor on wages, there are numerous problems on which detailed examination of these data can throw much light. But there are several features of this 40-year record which quite clearly indicate how organized labor can and does affect the behavior of wages. The case of anthracite coal is one striking example. Here we have an industry, whose employment and output have shrunk decisively and whose wages are fixed in apparent disregard of the state of business. A second illustration is the railroad industry. Here, during the long depression of 1929 there is one negotiated wage cut of 10 per cent, a condition that certainly would not have existed in a competitive labor market. The most striking example—one to which I have already alluded—is the rise in manufacturing real wages between 1929 and 1940 when average unemployment stood at a consistently high level and when the only possible tenable explanation of the extent of the rise in wages must be public policy and trade unionism.

TRENDS AND CYCLES IN GERMAN WAGES

GERHARD BRY

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I. GENERAL

THE PRESENT PAPER deals with trends and cycles in German wages. It is based on a study which I conducted under the auspices of the National Bureau of Economic Research and which forms part of the Bureau's inquiry into wage behavior under industrial capitalism. The study is restricted to the period 1871 to 1945—the years during which the German Reich existed as a political entity. However, I shall disregard this limitation and discuss wage trends right up to the present. Also, I will attempt to compare the German findings with British and American experience—where such experience is readily available.

In comparing wage behavior in the three industrial countries one must consider the large differences in economic, political and labor market conditions, particularly during the early phases of our period. By 1871—the year of the foundation of the Reich—Great Britain had already reached a high level of internal industrialization and operated an economy based on the combined resources and markets of her empire. Germany experienced the economic advantages and disadvantages of the late-comer. Her internal industrialization, utilizing a relatively advanced technology, could progress rapidly. But in the development of external resources and markets she was bound to encounter the competition of the British Empire at every step. The United States was in an extremely favorable position, both internally and externally. She experienced a rapid internal industrialization with raw material resources and markets so vast that they amounted to an “empire” right within her own borders.

This original constellation is reflected in the economic and political fortunes of the three nations: Germany challenging British predominance; Britain consolidating and defending her position; the United States realizing the potentialities implied in her unique position as the major power of the new world.

Germany made two major attempts to modify this historic constellation by force. The first attempt ended with a severe terri-

* I am indebted to Charlotte R. Boschan for her assistance in the preparation of this paper.

torial, economic and political set-back, the second with the loss of her existence as political unit. Even now, however, the constellation between the old three powers is still the same: the United Kingdom defending its position as a major world power, Germany fighting her way up, and the United States continuing her phenomenal progress.

For purposes of wage analysis we must also consider the big differences in the labor market organization of the three countries. Great Britain, at the time of the foundation of the German Reich already had an organized trade union movement. In Germany Trade Unionism started to play a serious role only at the turn of the century. In the United States, finally, trade unions began to become important in the labor market only after the first world war and in many industries not before the period of the New Deal.

II. TRENDS IN WAGE LEVELS

A. *Money Wages*

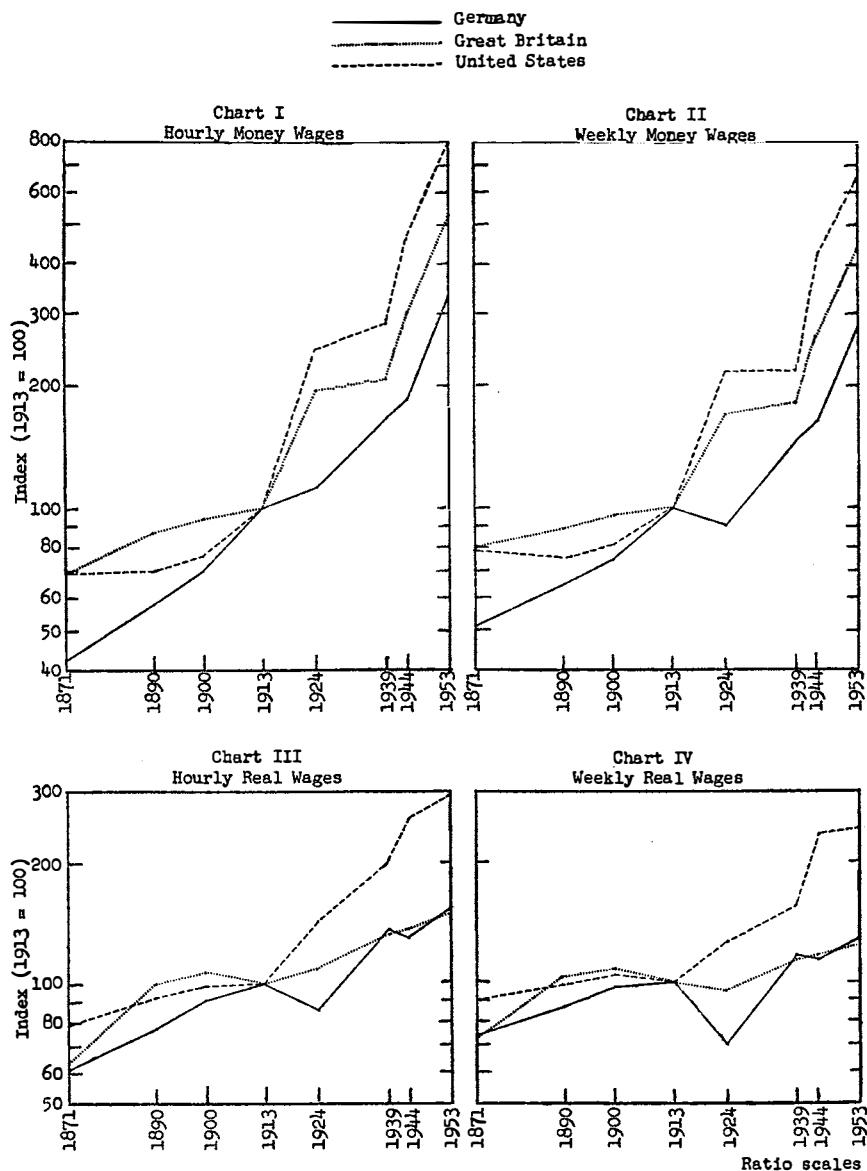
Let us look at long-term trends in hourly money wages. Chart I shows some selected years between 1871 and 1953—just enough to indicate the broad tendencies. Note the following:

- (1) Hourly wage levels in all three countries rose steeply during the last 80 years. The increase was 7 fold in case of Great Britain, 8 fold in case of Germany and about 10 fold in case of the United States.
- (2) Before the first world war Germany showed the steepest after the war the slowest growth.
- (3) The secular upward sweeps are relatively regular and little affected by episodic interruptions. In all three countries the trends continue fairly well through both world wars. In case of Germany the great inflation brought about an increase of wage levels by roughly a trillion times. Still, wages after the stabilization seemed to continue the old trends.

Weekly wage trends differ from those of hourly wages, because of the decline in working hours—one of the most dramatic economic and cultural developments of our time. Between 1871 and the present, the work week was reduced from about 70 to 50 hours in Germany, from about 60 to 48 hours in Great Britain and from about 60 to 40 hours in the United States. Since the decrease in working time is different in the three countries, the relation between wage trends

is different also. Chart II shows the milder rise of weekly wage levels and the different relation between the national trends. Still the order remains the same.

Note the decline of money wages in Germany between 1913 and 1924, brought about by the introduction of the 48 hour week at the inception of the Weimar Republic.



B. *Wage and Price Trends*

To what extent was the rising trend of money wage levels merely a reflection of monetary events? Price levels are known to have risen during the period under discussion. There is no doubt that the secular trends towards depreciation of currency affected money wage levels. But monetary trends do not offer a sufficient explanation. Available wholesale and retail price indices show generally a milder growth than wage measures. Furthermore, the "long cycles" in wholesale prices are scarcely reflected in wage rates. And the known improvement in economic well being would not have been possible if the rise in wages had been entirely matched by a rise in prices.

C. *Real Wage Trends*

For the purposes of this paper we shall disregard the problems involved in deriving living cost and real wage measures. Chart III shows the best available estimates of real wage trends.

Obviously real wages rose less steeply than money wages—less than half as much. German and British real hourly wages rose approximately $2\frac{1}{2}$ times, United States wages about 4 times. Even if due allowance is made for a liberal margin of error—there is a startling difference between real wage developments in the three countries. This is the way in which real wages reflect the different economic and political fortunes of the countries, to which we called attention before.

Also, the order and relative position of wage trends is different in real as compared with money wages. Note these points:

- (1) The relation between Germany and Great Britain is different for money and real wages.
- (2) The United States shows smaller real wage increases before but spectacularly larger increases after 1913 than the two European countries. Incidentally I have difficulty to reconcile a mere 11, 14 or even 43 per cent increase in real weekly wage levels between 1871 and 1913 with the almost 150 per cent increase in real per capital income as shown by Kuznets. Yet these are the real earnings increases which result from using the available money earnings and deflating by the living cost indexes of Burgess, the Federal Reserve Bank of New York, and Alvin H. Hansen respectively.
- (3) The weekly chart reflects also the curious flattening out or actual decline of weekly real wages occurring after the

turn of the century—a phenomenon which was recently discussed by Phelps Brown in his article on “The Climacteric of the 1890s.”¹

- (4) The large decline in German real wages between 1913 and 1924 is due to these factors: Stabilization of hourly money wage rates in 1924 close to prewar levels; cost of living increases in excess of hourly wage rises; decline of weekly hours by at least 15 per cent.
- (5) Weekly real wages in Germany during the whole interwar period (not shown on chart) were definitely lower than 1913 or 1900 levels. Even if the inflation years are left out, the 1924-39 average of real weekly wages just equals the levels attained before the first world war.

D. Real Earnings and Per Capita Income

An important finding of the study on German wages was the close relationship between real wages and per capita income. That such relationship exists in all three countries is suggested by Table I relating to the interwar period. Note the close similarity between wage and income indices. However, the extremely high correspondence between wages and per capita income is partly fortuitous. The coverage of the two series is quite different and the similarity is less striking in the individual years making up the average. In general we found:

- (1) Through the period 1871-1953 real wages roughly reflect the major trends of income and their differences in the three countries and
- (2) during short-term changes, like those between 1929 and 1932, or those between 1932 and 1939, a fair correspondence between wage and per capita income behavior existed.

This correspondence is of course partly due to the fact that wages form an important portion of per capita income. However, the correspondence reflects also the close relation of real wages to the general economic fortunes of a country as a whole. Except during extraordinary circumstances—such as war, hyper inflation or wage control—the size of the pie, more than changes in the pattern of its distribution, seems to determine the slice going to the wage earner.

¹E. H. Phelps Brown with S. J. Hanfield-Jones, “The Climacteric of the 1890’s: A Study in the Expanding Economy,” *Oxford Economic Papers*, October 1952. pp. 266-307.

TABLE 1
*Real Weekly Earnings and per Capita
 Income in Three Countries, 1925-32
 (1913 = 100)*

	Germany	Great Britain	United States
Real Weekly Earnings	99	106	125
Real per Capita National Income	93	105	126

Source:

Germany: All data taken from *German Wages, 1871-1945*, by this writer (in process of publication).

Great Britain:

Real Per Capita Income: A. R. Prest, "National Income of the United Kingdom, 1810-1946," *The Economic Journal*, March 1948.

Money Wages: Arthur L. Bowley, "Wages, Earnings and Hours of Work, 1914-1947, United Kingdom," *London and Cambridge Economic Service*, Special Memorandum No. 50, and E. H. Phelps Brown with Sheila V. Hopkins, "The Course of Wage Rates in Five Countries, 1860-1939," *Oxford Economic Papers*, June 1950, p. 281.

United States:

Real Per Capita Income: S. Kuznets, unpublished worksheets.

Money Wages: *Historical Statistics of the United States, 1780-1945*, p. 67 and *Statistical Abstract of the United States*, 1940, p. 339.

Cost of Living: *Monthly Labor Review*, May 1952, p. 615.

III. TRENDS IN WAGE STRUCTURE

A. Homogeneity

The long-term trends of individual wage series exhibit a high degree of homogeneity. Certainly the range of wage trend changes is more limited than that of changes in price measures. While between 1871 and 1929 prices of chemicals declined by 35 per cent, those of textiles increased by 22 per cent. Such divergencies are never found between wage trends. The reasons are simple enough. Humans are more similar, more substitutable, more equally affected by changes in technology, reproduction costs, market demand etc. than the wide variety of innate goods.

B. The Trend towards Greater Equality

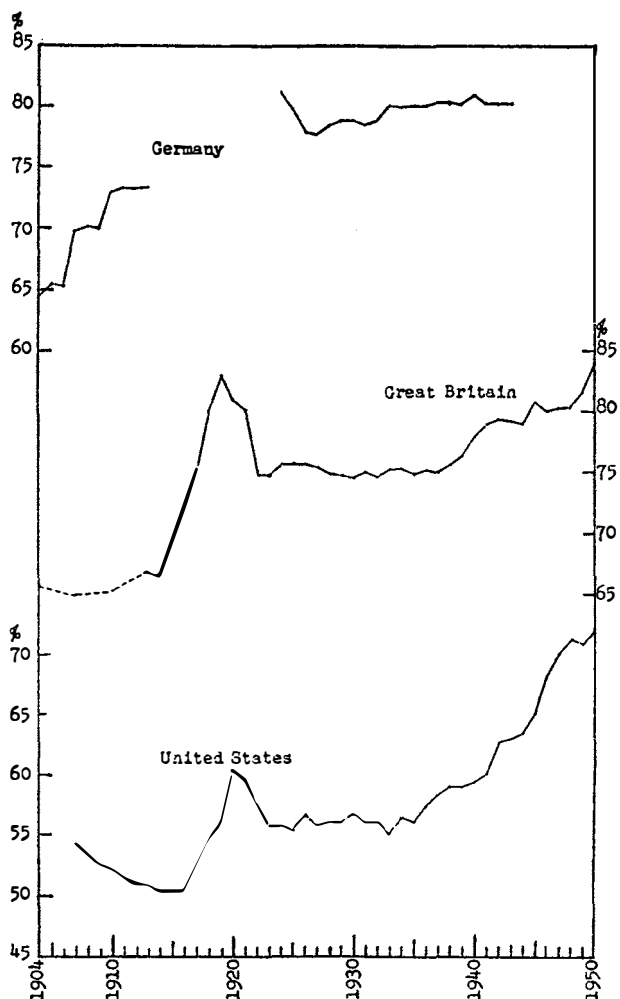
In spite of this relatively large homogeneity in wage trends, there exist distinct long-term changes in wage structure—changes which could of course not occur if wage trends were really uniform.

As far as the German experience is concerned, the majority of structural changes tend towards greater equality. This can be observed clearly enough in case of skill, age, sex and regional differentials. It seems to be the case also in case of city-size and industrial

differentials. I would not dare to be as positive regarding the British and American experience. But the findings of other students indicate trends towards greater wage equality also in the Anglo-Saxon countries.

Take the development of skill differentials as an example. Chart V is based on the study of Knowles and Robertson for Great Britain,

Chart V
Skill Differentials in the Building Industry
Germany, Great Britain and the United States
(Unskilled as per cent of skilled)



Harry Ober for the United States and my own work for Germany. Differentials, expressed in percentage form, relating wages of unskilled to those of skilled workers, are charted here for building workers only, but the trends are not limited to that industry. The long-term trends in all three countries show, over the period as a whole, a distinct narrowing of the gap between the wages of skilled and unskilled.

It would exceed the scope of this paper to discuss at length the factors determining the changes in the various types of differentials. A great number of factors, such as education, mechanization, industrialization of the country-side, etc. could be cited to explain the narrowing of one or the other differential. But these special factors would hardly explain the narrowing of all the cited differentials in all three countries. The process of increasing wage equality must be understood in more general terms—as a concomitant of modern industrialism itself. In mass-producing goods and distributing them over wide areas, in fostering industrial organization, in spreading information and providing education—in doing all this, modern industrialism reduces the differences among men. Differences become smaller between working capacities, between living standards, between workers in different regions, differently sized cities and different industries. It is this greater equality among the wage earners themselves that must provide the basic explanation for the narrowing of wage differentials.

IV. CYCLICAL BEHAVIOR ²

It is difficult to report orally on so quantitative a subject as cyclical behavior. Conformity, timing, amplitudes, cycle patterns during reference and specific cycles—these are subjects to be studied in solitude. Let me just give a few results of our work in this area.

A. *Money Wages*

(1) Cyclical responses of wage rates

German money wage rates, during the 82 years under review, showed only two substantial declines. One occurred in the 1870ies, during the severe contraction following the "Promoter Period." The

² Method and terminology used in this section are those of the National Bureau of Economic Research. For Explanation see Arthur F. Burns and Wesley C. Mitchell, *Measuring Business Cycles*, (New York, National Bureau of Economic Research, 1946).

other substantial decline occurred during the Great Depression. To be sure, there occurred other cyclical responses of wage rates—be it in the form of decreasing rates of growth, stagnation, or actual small declines. In fact, if all these responses are counted, we may state that wage rates conform fairly well with major cyclical changes in general business conditions. Still, the rareness and small extent of actual declines suggest a pronounced downward rigidity of German wage rates. Both the general conformity and the downward rigidity of wage rates were also observed by students of British and American experience.

(2) Cyclical responses of earnings

In general, both conformity and amplitudes of earnings are more pronounced than those of wage rates. This is due to the fact that most of the earnings elements, other than wage rates, are well conforming and cyclically sensitive. This holds for premium payments in case of overtime, night and holiday work, for output bonuses, for hours, etc. The number of hours worked affects hourly earnings only indirectly, of course, but it materially affects the amplitude of weekly earnings.

Table 2 shows percentage changes of wage rates, hourly earnings and weekly earnings in the three countries during the Great Depression. Note that in Germany (during specific and reference cycles) hourly rates decline least, hourly earnings somewhat more, weekly earnings most. It must, however, be observed that these wage rates are union rates and may not reflect the full decline of actually paid rates. Great Britain has no sufficiently comprehensive earnings data for this period. For the United States the greater amplitude of weekly as compared to hourly earnings is clear enough. However, the relation of hourly rates and earnings is inconclusive—the difference being small, and in opposite directions, and the rate series consisting of entrance rates with a relatively narrow industrial coverage.

(3) Timing

The above table, being on an annual basis, gives little indication of the timing in cyclical turning points of wages. Note, however, that even on an annual basis, German wage rates show their specific peak in 1930—one year after the turn in general business conditions. The lag in timing is one of the most characteristic features in the behavior of German wage rates. On a monthly basis the reference

TABLE 2
Percentage Change of Money Wages during the Great Depression
Germany, Great Britain and the United States
 Rates and Earnings, All Industry

	Peak	Trough	Per Cent Change
Reference Contraction			
GERMANY			
Hourly Rates.....	1929	1932	-19
Hourly Earnings.....	1929	1932	-24
Weekly Earnings.....	1929	1932	-33
GREAT BRITAIN			
Hourly Rates.....	1929	1932	-4
Hourly Earnings.....	....	....	.
Weekly Earnings.....	....	....	.
UNITED STATES			
Hourly Rates.....	1929	1932	-18
Hourly Earnings.....	1929	1932	-21
Weekly Earnings.....	1929	1932	-32
Specific Contraction			
GERMANY			
Hourly Rates.....	1930	1937	-23
Hourly Earnings.....	1929	1933	-27
Weekly Earnings.....	1929	1932	-33
GREAT BRITAIN			
Hourly Rates.....	1927	1934	-7
Hourly Earnings.....	....	....	.
Weekly Earnings.....	....	....	.
UNITED STATES			
Hourly Rates.....	1929	1933	-23
Hourly Earnings.....	1929	1933	-22
Weekly Earnings.....	1929	1933	-33

Source: See source to Table 1.

peak preceding the Great Depression occurred in April 1929; the peak in union wage rates occurred in December 1931—fully 20 months later.³ Attention must again be called to the character of the union rates. We know that decreases of rates in excess of union minima started already in the spring of 1930, that is with a delay of but 12 months. The lagging of wage rates behind turns in general business conditions has also been observed in the Anglo-Saxon countries. Daniel Creamer gives the average lag for Great Britain

³ If the first month of the wage plateau is considered the turning point, the lag is only 13 months.

during the 1920-1940 period as 11 months, the corresponding lag in the United States over the period 1923-31 as 9 months.⁴

B. *Real Wages*

The downward rigidity and delayed response of wage rates, in conjunction with the cyclically more responsive living costs, frequently leads to increases of real wage rates during reference contractions. Such increases may even occur when money wage rates show actual declines.

Table 3 shows examples for this observation. Note that in all three countries real hourly rates rose during the reference contraction of 1929-32—as measured by annual data. Note further that (with the exception of the declines in Germany, which last far into the Nazi period) the decline in real hourly rates and earnings were very mild in this severest of all business contractions. Even weekly real earnings decline only 15 per cent, in Germany as well as in the United States. In both countries the real sufferers from the Great Depression were the unemployed rather than the employed workers.

The table is also of interest with regard to cyclical turning points of real wages. Even on the basis of annual data specific peaks of real rates and hourly earnings in all three countries occurred in 1931—with a delay of two years. In case of Germany the lag of real hourly wage rates at the 1929 peak, computed on a monthly basis, amounted to as much as 32 months.⁵ Delays in the recovery of real hourly wages occurred also at the terminal trough of the Great Depression. However, the German observations are affected by the unusual labor market conditions existing from 1933 on. Note that the annual series of weekly real earnings show co-incidence of timing both at peaks and troughs. This is due again to the prompt and substantial response of the hour component of this wage type.

V. WAGES IN WARS

The study covers also comprehensive wage behavior during war, hyper-inflation and similar extra-ordinary episodes.

It is impossible to summarize our findings for the various episodes. Just to illustrate our work in this area, we have added a chart with money and real earnings of coal miners in Germany,

⁴ Daniel Creamer, "Behavior of Wage Rates During Business Cycles," *Occasional Paper* 34 (New York, National Bureau of Economic Research, 1950).

⁵ Or 21 or 24 months, depending on the determination of the turning point.

TABLE 3
Percentage Change of Real Wages during the Great Depression
Germany, Great Britain and the United States
 Rates and Earnings, All Industry

	Peak	Trough	Per Cent Change
Reference Contraction			
GERMANY			
Hourly Rates.....	1929	1932	+4
Hourly Earnings.....	1929	1932	-4
Weekly Earnings.....	1929	1932	-15
GREAT BRITAIN			
Hourly Rates.....	1929	1932	+10
Hourly Earnings.....	....	....	.
Weekly Earnings.....	....	....	.
UNITED STATES			
Hourly Rates.....	1929	1932	+3
Hourly Earnings.....	1929	1932	-1
Weekly Earnings.....	1929	1932	-15
Specific Contraction			
GERMANY			
Hourly Rates.....	1931	1944	-18
Hourly Earnings.....	1931	1936	-6
Weekly Earnings.....	1929	1932	-15
GREAT BRITAIN			
Hourly Rates.....	1931	1935	-2
Hourly Earnings.....	....	....	.
Weekly Earnings.....	....	....	.
UNITED STATES			
Hourly Rates.....	1931	1933	-3
Hourly Earnings.....	1931	1932	-3
Weekly Earnings.....	1929	1932	-15

Source: See source to Table 1.

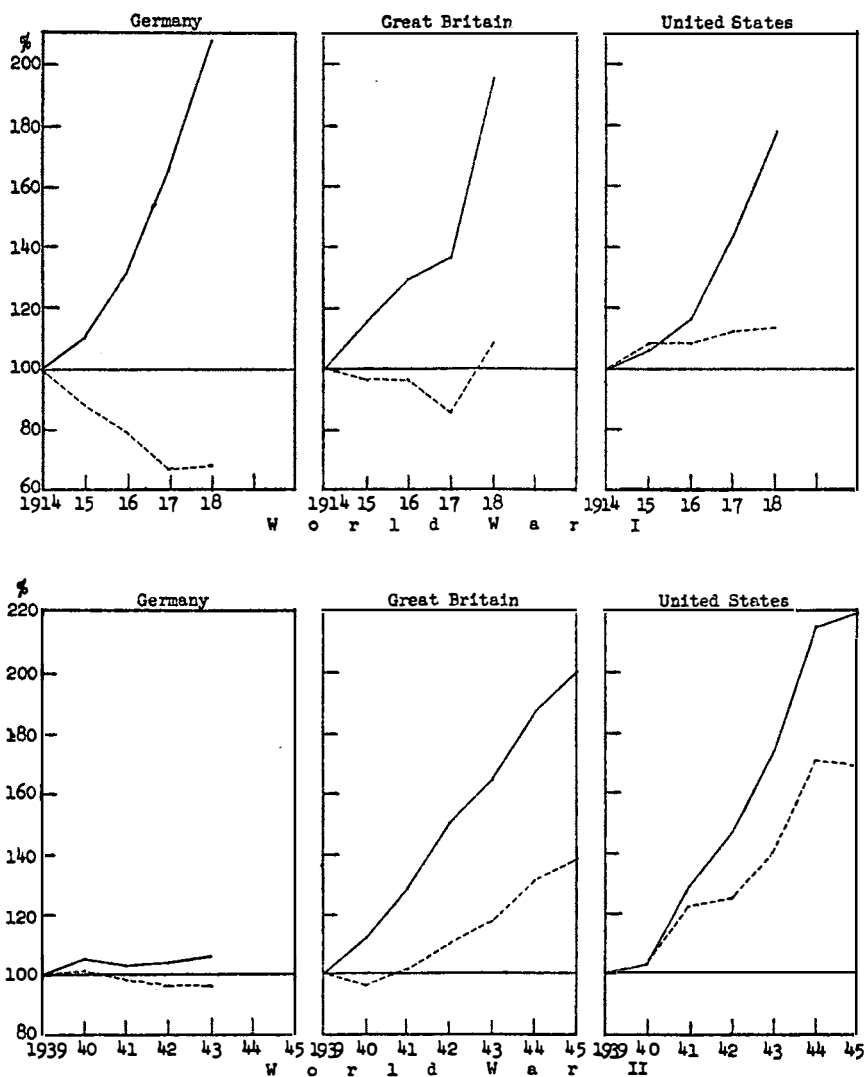
Great Britain and the United States, during the first and second world wars. Some observations:

- (1) Money wages during both wars roughly doubled—with the exception of the rigorously controlled German wages during the last war.
- (2) Real earnings of German miners showed declines in both wars. While United States miners experienced actual increases, British miners experienced real earnings declines

Chart VI

Money and Real Earnings of Coal Miners, during Two World Wars, in Germany, Great Britain and the United States

———— Money earnings
 - - - - - Real earnings



during most of the first, but increases during most of the second world war.

- (3) During the second world war, real earnings in all three countries showed more favorable trends than during the first world war. In case of Germany this appears in form of a milder decline, in case of the United States in form of considerably stronger gains.

The fact that real wages during the last world war were relatively well maintained, or even materially increased, may inspire all kinds of speculations. Productivity seems to have reached a point where the military drain on man-power and materials does not any more bring economic misery upon the civilian population of belligerents—at least not before the final stages of defeat. This would tend to increase the economic staying powers of belligerents, short of actual physical destruction of cities and productive facilities. But these thoughts are surely beyond the topic of this paper . . . Covers only Trends and Cycles in German Wages.

UNION IMPACT ON WAGE STRUCTURES

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I

THE WAGE STRUCTURE of a firm consists of a series or hierarchy of wage rates designed to compensate workers for the varying skills and abilities required in the production process.¹ This paper is concerned with that portion of the wage structure applicable to workers below the first level of supervision.

A substantial amount of attention has been given to the question of union influence on the general level of money wages. Comparatively little effort has been devoted to analysis of union impact upon wage structures. This impact results from union policy with respect to the way in which general wage changes are distributed among workers within firms; from union impulses toward formalization of job rate structures; from union influence on a variety of internal company wage policies, such as method of wage payment; and, finally, from the union role in the administration of wages. These influences are not of equal importance nor equally susceptible of analysis in a brief paper. At least in the present period, it appears appropriate to center attention on the consequences of general wage changes.

It would be highly unrealistic to suppose that the trade union movement, taken as a whole, has clearly formulated objectives with respect to job rate relationships. General policy in this area is not to be expected. Differences in union structure among industries, and in patterns of bargaining, as illustrated, for example, by printing and steel, alone preclude any single approach. Yet it is reasonable to assume that unions will give increasing attention to this area in

¹ The structure may consist of time rates or of time rates in some occupations and incentive rates in others. Special rates may exist for inexperienced workers, handicapped and superannuated employees, and apprentices. Penalty rates (for overtime, late-shift, or other unusual hours or conditions of employment) are typically found. Various types of guaranteed rates are often established in connection with incentive wage systems. See U. S. Department of Labor, Bureau of Labor Statistics, Bulletin No. 983, *Glossary of Currently Used Wage Terms* (Washington: Government Printing Office, 1950); also *Glossary of Terms Used in Methods, Time Study and Wage Incentives* (New York: Society for Advancement of Management, 1952).

the future. The problem of equity in wage rates among workers in different jobs is a legitimate union concern.² Moreover, general wage developments during the past decade have given the question of job rate relationships in many industries immediate practical importance. Union efforts to cope with the current situation may well increase systematic union attention to wage structure problems.

A brief review of the evidence on the trend of job differentials will point up the problem.

II.

About five years ago, the Bureau of Labor Statistics published a study of occupational differentials over the 40 years, 1907-1947.³ This study was confined to manufacturing as a whole and to building construction. For manufacturing, the data are not continuous, but relate to five periods within the 40-year span.

This study revealed the fact that relative occupational wage differentials had narrowed substantially between 1907 and 1947 (table 1). In manufacturing, the median earnings of skilled workers were double those of unskilled workers in 1907; the median differential in 1947 was about 55 percent. In the building trades, journeymen earned about 85 percent more, on the average, than helpers and laborers in 1907, and about 43 percent more in 1947. In the building trades, where continuous data are available, the evidence suggests that the decisive narrowing of relative differentials occurred during the late 1930's and the 1940's.⁴ The same timing appears applicable to manufacturing.⁵

² It is also a legitimate management concern and of genuine importance for worker morale and productivity. Its implications for labor recruitment are obvious. Management has given much attention to the problem, and has devised a variety of techniques to aid in the establishment of sound occupational wage relationships. The fact that this paper deals predominantly with the union side should not be interpreted as failure to recognize management's interest, concern, and responsibility. See the author's *Wage Structures and Administration* (Los Angeles: University of California, Institute of Industrial Relations, 1954).

³ Harry Ober, "Occupational Wage Differentials, 1907-1947," *Monthly Labor Review*, 67:2, August 1948, pp. 127-134.

⁴ Relative differentials in the building trades narrowed appreciably in the period immediately following World War I, but subsequently widened.

⁵ The tendency for skill differentials to narrow has not been confined to the United States. For an analysis of British experience, see K. G. J. C. Knowles and D. J. Robertson, "Differences Between the Wages of Skilled and Unskilled Workers, 1880-1950," *Bulletin*, Oxford University Institute of Statistics, 13:4, April 1951, pp. 109-127.

Recent studies by the Bureau indicate that by early 1953, further compression had taken place in relative occupational differentials (table 2). For example, the wages of skilled maintenance workers in manufacturing averaged only about 37 percent above the level for male janitors in 20 large labor markets surveyed during late 1952 and early 1953.⁶ While this figure is not strictly comparable with the figure of 55 percent given earlier for 1947, it unquestionably is illustrative of general tendency. At least partial confirmation is found in studies by the Bureau of the behavior of negotiated wage

TABLE 1
*Relationship Between Earnings of Skilled
and Unskilled Occupations, Manufacturing,
Selected Periods, 1907-1947¹*

(Average earnings for representative unskilled occupations = 100)

Period	Occupational indexes	
	Median	Interquartile range of indexes
1907.....	205	180-280
1918-19.....	175	150-225
1931-32.....	180	160-220
1937-40.....	165	150-190
1945-47.....	155	145-170

¹ For each period, representative unskilled and skilled occupations were selected for each manufacturing industry for which data were available. Average earnings for each unskilled job were used in constructing a relative for the corresponding skilled occupation. These relatives were then arrayed and the medians and interquartile ranges determined.

SOURCE: Bureau of Labor Statistics
U. S. Department of Labor

scales in a number of key collective bargaining situations between 1947 and late 1952.⁷ Additional evidence is found in the narrowing of relative skill differentials in such industries as industrial chemicals, petroleum refining, radio, ferrous and nonferrous foundries, and electric utilities for which the Bureau made detailed industry wage surveys at the beginning and end of the 1947-1953 period. In the

⁶ Toivo P. Kanninen, "Occupational Wage Relationships in Manufacturing, 1952-1953." *Monthly Labor Review*, 76:11, November 1953, pp. 1171-1178.

⁷ See Bureau of Labor Statistics, Wage Chronology Series. This series provides an historical account of changes in wages and related benefits in important collective bargaining situations. As of the end of 1953, 36 chronologies had been published.

TABLE 2
*Relationship of Average Hourly Earnings for Selected Occupations to Averages for
Male Janitors, Manufacturing, 20 Labor Markets, 1952-1953,¹ Continued*

Occupation ²	Median establishment percentages in—									
	New England		Middle Atlantic				South			
	Boston	Providence	Buffalo	Newark-Jersey City	New York	Philadelphia	Atlanta	Baltimore	Dallas	Memphis
<i>Maintenance and power plant</i>										
Carpenters.....	135	130	130	137	142	136	144	133	133	149
Electricians.....	141	136	133	141	152	143	150	144	148	155
Engineers, stationary.....	145	140	131	139	155	137 ^(*)	144	144	149	153
Firemen, stationary boiler.....	126	117	117	123	123	118	120	124	124 ^(*)	115
Helpers, trades.....	115	111	111	111	117	112	122	116	124	116
Machine-tool operators, toolroom.....	137	(*)	133	142	155	135	(*)	(*)	(*)	(*)
Machinists.....	141	140	134	142	150	142	159	154	145	153
Mechanics, automotive.....	132	121	130	135	141	131	153	142	150	(*)
Mechanics.....	138	128	131	138	147	141	155	134	141	151
Millwrights.....	131	132	130	137	143	138	(*)	137	(*)	153
Oilers.....	112	111	110	112	115	112	107	116	114	130
Painters.....	128	121	125	125	136	129	145	127	(*)	138
Pipefitters.....	134	127	130	137	137	135	143	138	(*)	148
Sheet-metal workers.....	133	(*)	130	137	146	135	(*)	142	(*)	(*)
Tool-and-die makers.....	153	172	145	157	165	156	(*)	163	(*)	(*)
<i>Custodial, warehousing, and shipping</i>										
Guards.....	106	105	109	109	106	108	(*)	109	(*)	114
Janitors, porters, and cleaners (women).....	94	95	97	93	94	96	90	94	100	94
Laborers, material handling.....	106	103	104	104	106	105	100	105	105	103
Order fillers.....	110	(*)	110	111	110	111	110	112	122	110
Packers, class A (men).....	123	(*)	117	114	118	118	(*)	119	(*)	(*)
Packers, class B (men).....	107	106	105	105	106	108	107	113	(*)	106
Packers, class B (women).....	94	97	90	94	101	101	(*)	100	(*)	(*)
Receiving clerks.....	116	118	114	118	121	118	138	124	124	113
Shipping clerks.....	125	123	116	120	120	126	157	132	132	135
Shipping-and-receiving clerks.....	117	119	117	115	137	134	131	119	173	143
Truck drivers, light (under 1½ tons).....	115	124	111	116	(*)	119	111	115	112	109
Truck drivers, medium (1½ to and including 4 tons).....	118	113	115	124	137	126	108	126	116	112
Truck drivers, heavy (over 4 tons, trailer type).....	122	(*)	(*)	133	(*)	121	(*)	126	124	(*)
Truckers, power (fork-lift).....	114	108	112	112	118	110	111	113	110	111
Truckers, power (other than fork-lift).....	111	(*)	110	111	118	109	(*)	114	(*)	(*)
Watchmen.....	104	103	101	102	102	100	104	104	105	104

TABLE 2
*Relationship of Average Hourly Earnings for Selected Occupations to Averages for
Male Janitors, Manufacturing, 20 Labor Markets, 1952-1953¹, Continued*

Occupation ²	Median establishment percentages in—									
	Middle West						Far West			
	Chicago	Cleveland	Kansas City	Milwaukee	Minneapolis-St. Paul	St. Louis	Denver	Los Angeles	Portland	San Francisco-Oakland
<i>Maintenance and power plant</i>										
Carpenters.....	137	131	134	134	139	140	128	135	129	134
Electricians.....	146	135	136	142	143	148	138	141	129	138
Engineers, stationary.....	145	139	142	140	139	150	152	136	136	130
Firemen, stationary boiler.....	123	120	123	122	124	124	(³)	121	(³)	121
Helpers, trades.....	117	111	119	114	115	118	111	113	110	113
Machine-tool operators, toolroom.....	148	133	(³)	136	(³)	149	(³)	146	(³)	(³)
Machinists.....	149	136	136	140	140	155	141	143	136	138
Mechanics, automotive.....	137	129	128	136	129	131	(³)	135	132	132
Mechanics.....	142	134	139	139	137	136	132	136	129	132
Millwrights.....	138	131	131	136	133	133	(³)	132	(³)	(³)
Oilers.....	112	112	115	114	115	115	115	111	107	112
Painters.....	131	127	128	128	128	130	(³)	128	129	131
Pipefitters.....	136	129	131	135	136	135	(³)	132	(³)	131
Sheet-metal workers.....	140	127	130	133	(³)	139	(³)	133	(³)	(³)
Tool-and-die makers.....	163	144	152	147	154	172	(³)	151	(³)	155
<i>Custodial, warehousing, and shipping</i>										
Guards.....	106	108	111	106	108	107	(³)	107	(³)	105
Janitors, porters, and cleaners (women).....	95	92	95	91	97	97	(³)	97	(³)	100
Laborers, material handling.....	104	104	105	106	104	104	109	107	103	106
Order fillers.....	109	111	110	114	107	111	113	106	(³)	109
Packers, class A (men).....	116	116	(³)	115	117	(³)	(³)	112	(³)	116
Packers, class B (men).....	108	110	106	108	107	103	(³)	108	(³)	(³)
Packers, class B (women).....	98	100	(³)	99	94	105	(³)	97	(³)	(³)
Receiving clerks.....	123	116	119	115	118	119	(³)	120	(³)	115
Shipping clerks.....	129	122	119	125	120	120	116	121	132	116
Shipping-and-receiving clerks.....	125	116	120	119	(³)	119	(³)	118	118	121
Truck drivers, light (under 1½ tons).....	125	112	116	113	120	112	119	111	120	118
Truck drivers, medium (1½ to and including 4 tons).....	134	115	120	121	119	121	120	118	116	123
Truck drivers, heavy (over 4 tons, trailer type).....	146	126	(³)	120	(³)	126	(³)	120	(³)	(³)
Truckers, power (fork-lift).....	112	111	113	113	109	112	115	113	110	112
Truckers, power (other than fork-lift).....	109	112	(³)	109	107	111	(³)	110	(³)	109
Watchmen.....	102	100	100	103	102	101	100	100	100	100

¹ These percentages show the relationship between straight-time average hourly earnings (excluding premium pay for overtime and night work) for selected plant occupations in manufacturing industries. In each establishment covered the average hourly earnings for men janitors was used as a base (100); average hourly earnings for other occupations were converted to a percentage of that base.

² Data limited to men workers except where otherwise indicated.

³ Number of establishments employing workers in the occupation (and in the janitor category) too small to justify comparisons. Source: Bureau of Labor Statistics, U. S. Department of Labor.

building trades, the average union scale for journeymen in 1952 stood 38 percent above the level for laborers and helpers as compared with 43 percent in 1947 (table 3).

TABLE 3
*Relationship Between Average Union Wage
Scales for Journeymen and for Laborers and
Helpers, Building Trades, 1907-1952¹*
(Average for laborers and helpers = 100)

Year	Index	Year	Index
1907.....	185	1930.....	177
1908.....	188	1931.....	179
1909.....	191	1932.....	179
1910.....	192	1933.....	182
1911.....	195	1934.....	178
1912.....	197	1935.....	179
1913.....	197	1936.....	175
1914.....	199	1937.....	172
1915.....	199	1938.....	170
1916.....	199	1939.....	170
1917.....	191	1940.....	169
1918.....	183	1941.....	167
1919.....	180	1942.....	160
1920.....	166	1943.....	159
1921.....	168	1944.....	158
1922.....	174	1945.....	154
1923.....	180	1946.....	147
1924.....	180	1947.....	143
1925.....	181	1948.....	140
1926.....	177	1949.....	141
1927.....	180	1950.....	139
1928.....	179	1951.....	138
1929.....	179	1952.....	138

¹ To minimize the effect of changes in union membership and in the geographical distribution of membership, the relationships were computed on the basis of standardized averages obtained by applying the indexes of earnings on a 1939 base to the 1939 rates for journeymen and for laborers and helpers. In the measurement of the trend of wage differentials, this procedure gives more accurate results than the use of the published annual averages.

SOURCE: Bureau of Labor Statistics
U. S. Department of Labor

III.

The trade union movement increased enormously in power and influence during the period—roughly the past two decades—in which, on the whole, relative skill differentials narrowed substantially. Under collective bargaining, unions play a major role in the mechanism of wage determination. To what extent is it possible to ascribe

the general decline that has taken place in occupational wage differentials to union policy or tactics?

It is important to note, by way of beginning, that several underlying factors calculated to narrow occupational differentials, at least in the long run, can be distinguished. The first of these was the sharp decline in immigration during World War I and the subsequent change in immigration policy, which reduced drastically the net inflow of population from abroad. Much of this inflow, of course, was in the productive age group.⁸ Immigration restrictions, which had long been urged by dominant sections of the labor movement, served to decrease the rate of growth of the labor supply. This effect of curtailed immigration was re-enforced by a declining birth rate until the 1940's.⁹

These two developments tended to ease the pressure of labor supply on employment opportunities generally, but especially in relatively unskilled jobs.¹⁰ At the same time, changes were taking place affecting positively the supply of workers for skilled jobs. For example, the school-leaving age, both legally and in terms of social custom, was being extended.¹¹ Entrance into the labor force was thus delayed for larger and larger proportions of young people. Greater occupational choice accompanied the increase in formal education, including training in vocational and technical subjects. The more skilled and better-paying jobs, including those in the expanding non-manual occupational categories, thus became accessible to large proportions of workers.

There was still another development of the very greatest significance that was certainly blended with the underlying labor supply factors outlined above. Gradually and almost unremarked upon, a

⁸ There were 1,218,000 immigrants in the year ending June 30, 1914, of whom 65.6 percent were male and 80.6 percent were between 16 and 44 years of age. Since there were 303,000 emigrants in 1914, the net population increase from this source was 915,000. For the 5-year period ending June 30, 1914, the excess of immigrants over emigrants was 3,733,000. Bureau of the Census, *Statistical Abstract of the United States*, various years.

⁹ The net reproduction rate, which indicates the extent to which each generation in the absence of net immigration would replace itself if birth and death rates of a specified period were to continue indefinitely, declined from 1,336 (1,000 = replacement) in 1905-10 to 978 in 1935-40 and increased to 1,385 in 1944-49.

¹⁰ See Jeremiah W. Jenks and W. Jett Lauck, *The Immigration Problem* (New York: Funk and Wagnalls, 6th edition, 1926), especially Chapter XI.

¹¹ In 1920, for example, 50.8 percent of persons 16 years of age were attending school. This percentage was 66.3 in 1930, 76.2 in 1940, and 82.0 in 1950. The proportion of 18 year olds in school increased from 21.7 percent in 1920 to 41.2 percent in 1950.

technical revolution occurred in large areas of unskilled labor. The "unskilled laborer" became a man with mechanical equipment. Excavating, loading and unloading, stacking—this whole area of heavy labor has been substantially mechanized. Not even the janitor and charwoman have escaped. More than a decade ago, the Bureau of Labor Statistics discontinued its annual survey of the entrance rates of male common labor because of the increasing difficulty of obtaining reasonably comparable reporting among firms and industries for a "common labor" classification of workers.¹²

In substance, then, unskilled labor in recent decades has been combined with larger quantities of capital. Its productiveness has thereby been enhanced. It is difficult to say whether there was a differential growth of capital in relation to labor in unskilled as compared with other tasks.

At any rate, one could reasonably anticipate, from the nature of the broad forces described above, that relative wage differentials among jobs would show some tendency to diminish over fairly long periods, such as the years immediately preceding World War I to the present. One would expect a gradual rather than a precipitous decline. This development, it could be assumed, would occur in the complete absence of direct union influence on wage differentials.

IV.

The decline in job differentials during the past decade, however, appears much sharper than one would have anticipated on the basis of these long-run labor market forces alone. The surface reason is that, in an inflationary situation extending, with only one interruption, from the spring of 1941 to the beginning of 1953, large increases in money wages have been granted predominantly across-the-board in uniform cents-per-hour.¹³ But why were wage increases so largely

¹² The shift from the exercise of sheer manual power, in many cases aided by hand tools, to the utilization of power equipment caused many jobs to become, in a sense, less unskilled. "Common labor" tended to be broken down into separate jobs with specific job titles. Change in the content of jobs, not only at the bottom but also at other points in job hierarchies, clearly increases the difficulty of measuring changes in occupational wage differentials over extended periods of time. Precise measurement, indeed, is fraught with many difficulties. General trends are easier to establish. The general change in relative differentials during the past 10 or 15 years is so marked that no question of the direction of the change can possibly arise.

¹³ See Joseph W. Bloch and Francis J. Clerc, *Wage Movements: Changes in 1948: War and Postwar Trends* (Bureau of Labor Statistics, processed, 1949); see also Bureau of Labor Statistics, *Monthly Report on Current Wage Developments* and the Wage Chronology Series.

distributed in this way? Methods of distributing increases could readily have been employed that would more nearly have preserved relative job differentials existing in the pre-war period.

One factor was government policy. In the wage stabilization program during World War II, the National War Labor Board held that increases allowable under the Little Steel Formula must be granted uniformly in cents-per-hour.¹⁴ The Board, which was tripartite in character, adopted this policy deliberately in the interest of the low-paid worker.¹⁵

Postwar government wage policy under the National Wage Stabilization Board, which functioned from January 1, 1946 to February 24, 1947, permitted adjustments that were "consistent with the general pattern of wage or salary adjustments" established in an industry or local labor market between August 18, 1945 and February 14, 1946. In essence, government wage control policy in this period largely conformed with the terms of private wage bargains.¹⁶ The government fact-finding boards, which functioned in a number of important labor-management disputes in the immediate postwar period, typically couched their wage recommendations in uniform cents-per-hour terms.¹⁷

In the Korean emergency, Wage Stabilization Board policy placed no restriction upon the way in which allowable general wage increases could be distributed. Such decisions were left to the parties. This agency, like the National War Labor Board, had to deal with a variety of wage structure problems.¹⁸

Aside from wage control, government also had some influence on wages during this period through minimum wage legislation and prevailing minimum wage determinations under the Public Contracts

¹⁴ *The Termination Report of the National War Labor Board* (Washington: Government Printing Office, 1948), I, p. 209.

¹⁵ Concern with occupational wage relationships was shown by the National War Labor Board in certain other aspects of wage stabilization policy, as in the application of substandard and intraplant inequity criteria. See *ibid.*, I, Chaps. 19 and 21; also John T. Dunlop, "An Appraisal of Wage Stabilization Policies," in Bureau of Labor Statistics Bulletin No. 1009, *Problems and Policies of Dispute Settlement and Wage Stabilization During World War II* (Washington: Government Printing Office, 1950) Chap. 4.

¹⁶ U. S. Department of Labor, *The Wage Stabilization Board* (Washington: Government Printing Office, 1948), especially Chap. 7.

¹⁷ H. M. Douty, "Wage Policy and the Role of Fact-Finding Boards," *Monthly Labor Review*, 62:4, pp. 537-549; also Ann J. Herlihy, *Federal Fact-Finding Boards and Boards of Inquiry, 1945-1951* (Bureau of Labor Statistics, processed, 1952).

¹⁸ Sar A. Levitan, "Intraplant Inequities and Wage Controls," *Labor Law Journal*, 4:11, November 1953, pp. 744-752.

Act. In a variety of low-wage industries, Federal minimum actions had some effect on relative job differentials.¹⁹

Of major importance, however, was a marked tendency for unions, beginning in the defense period in 1941, to formulate their wage demands in terms of uniform money increases and for settlements to be made in this fashion. In the waves of increases that occurred in the postwar period, these settlements, in conjunction with wartime wage changes, decisively narrowed occupational wage differentials in many industries. The following comments may throw some light on the reasons for this development.

1. Wage increases in an inflationary period are designed largely to offset increases in living costs. Lower-paid workers tend to spend a larger proportion of their incomes for basic cost-of-living items, such as food, than higher-paid workers. Hence, they may, depending on relative price movements, experience proportionately higher than average increases in living costs. Uniform money wage increases, which are larger percentage-wise for the lower-paid workers, may therefore appear more equitable than differential increases. The bulk of the formal escalator clauses adopted during the Korean emergency that separate cost-of-living "bonuses" have been incorporated into provided for uniform adjustments in cents-per-hour.²⁰ To the extent base rates, a uniform cents-per-hour factoring has typically been used.

2. Certainly in an inflationary period, it is politically easier for union leadership to press for uniform money increases. All workers thus appear to be treated equally. In industrial or quasi-industrial unions, unskilled and semi-skilled workers typically make up a substantial majority of the membership. Their political power within the union is bound to be an important consideration in formulating demands and in bargaining strategy. Under these circumstances, only a strongly disciplined union with a conscious wage structure policy can readily agree to differential money increases.

3. The pervasiveness of the forces operating during this period is suggested, however, by the fact that contraction in job differentials

¹⁹ Southern sawmilling provides an example. In December 1950, the average straight-time hourly wage of circular head-saw operators exceeded the level for machine off-bearers by 70 percent. In March 1950, three months after the present 75-cent minimum rate under the Fair Labor Standards Act became effective, the differential was 53 percent. In April 1953, the differential had risen to 64 percent. See James F. Walker, "Earnings in the Southern Lumber Industry," *Monthly Labor Review*, 76:10, October 1953, pp. 1077-1081.

²⁰ H. M. Douty, "The Growth, Status, and Implications of Wage Escalation," *Monthly Labor Review*, 76:2, February 1953, pp. 126-129.

was not confined to industries organized on an industrial basis. It was experienced also in industries organized on a craft basis. The building trades provide a notable example, with the average differential in union rates for journeymen over laborers and helpers declining from 70 percent in 1938 to 38 percent in 1952. What happened with respect to union workers for the period 1947-1952 is shown in the tabulation below.²¹ It will be observed that in all except one year during the period 1947-1952, average wage increases for laborers and helpers were relatively greater than for journeymen; absolute increases, however, were smaller.

*Building Trades: Average Increases
in Union Scales, 1947-1952*

Year ending July 1	Journeyman		Laborers and helpers	
	Increase		Increase	
	Percentage	Cents per hour	Percentage	Cents per hour
1947.....	14.0	\$0.25	17.0	\$0.19
1948.....	10.3	.21	12.6	.17
1949.....	4.2	.10	3.7	.06
1950.....	4.2	.10	5.5	.09
1951.....	6.3	.15	6.9	.11
1952.....	6.1	.16	6.5	.11

In book and job printing, the change in differentials was not nearly as marked as in construction. In 1938, the average union scale for hand compositors exceeded the average scale for bindery women by 127 percent. By 1952, this differential had been reduced to 101 percent.²² This reduction of 20 percent in the differential in book and job printing compares with a cut of about 46 percent in construction. The explanation may lie, at least in part, in differences in bargaining arrangements in the two industries.

4. Skilled workers, within limits, may be content with the maintenance of absolute wage differentials, even though their relative wage position is deteriorating. This is even more likely to be true if, as in many situations, absolute differentials widen while relative differentials contract. This has happened, for example, in the building

²¹ The data are from the annual reports by the Bureau of Labor Statistics on union wage scales in the building trades.

²² The data are from the annual reports of the Bureau of Labor Statistics on union wage scales in the printing trades.

trades and in a great many other situations.²³ Increases in money differentials may obscure decreases in "real" differentials and hence in relative living standards. Another possible factor is a sort of psychological barrier to increasing rates for skilled workers that already appear "high" in an absolute sense. For example, when rates in some building crafts in some localities reached \$3.00 an hour, additional movement may have been inhibited until the new rate had been sanctioned by time.

5. During this period, employers, by and large, have seemed more concerned with the size of negotiated wage increases than with the form of their distribution. At any rate, there is comparatively little external evidence that employers have made a strong issue in collective bargaining of the question of relative job differentials.²⁴ This again may be partly because of the origin of a considerable portion of the increases during the war and postwar period in cost-of-living considerations. It probably also reflects a reluctance by management to make an issue over the distribution of agreed-upon increases with unions that presumably reflect the wishes of their memberships.

6. In many important sectors of the economy, unionization on a broad scale is scarcely more than a decade and a half old. At the beginning of the inflationary period, unionism in many industries was still fighting essentially for recognition and stability. Problems have their own scale of importance, depending on circumstances. With respect to wages, the overriding issue for most of the period since 1941 has been their level, primarily in relation to prices but partly in relation to the capacity of the economy to pay. A secondary issue has been employee benefits, especially those contributing to economic security. To a considerable extent, questions of wage structure may simply have been lost sight of or pushed aside as not immediately urgent. In this sense, the substantial decline in skill differentials may be partly accidental.

To summarize to this point: if the preceding analysis is reasonably correct, the sharp general decline in occupational differentials

²³ Including the Federal classified civil service. Between 1939 and 1950, the minimum salary rate for grade 3 civil servants increased by 64 percent as compared with a 31 percent increase for grade 15. The corresponding money increases, however, were \$1,030 and \$2,500. See Ruth W. Benny, *Wage Movements: Federal Classified Employees, Salary Trends, 1939-1950* (Bureau of Labor Statistics, processed, 1951).

²⁴ There are notable exceptions, one of which appears to be the telephone industry.

in recent years may be looked upon as compounded of (a) broad underlying forces affecting the supply of workers at different skill levels; (b) a comparatively long inflationary period characterized by large increases in money wages predominantly on a cost-of-living basis; (c) a strong tendency evident in governmental and trade union wage policy to apply "cost-of-living adjustments" uniformly in cents-per-hour; and (d) the absence of strong general opposition from employers to this method of distributing wage increases.

V.

Brief attention should now be given to experience among particular industries. Although occupational differentials in general have contracted sharply, the decline in some industries has been much more marked than in others. Two industries, steel and motor vehicles, can be used to illustrate divergencies in experience within manufacturing.

In the basic steel industry, relative occupational differentials have been maintained to a remarkable extent. In 1920, for example, blowers earned about 83 percent more than laborers in blast furnace departments; this percentage increased to 85 percent in 1938 and declined to 80 percent by 1951.²⁵ It is probably slightly below 80 percent today.

The small decline in occupational differentials in steel reflects in substantial measure the unusual attention that labor and management have paid during the war and postwar periods to wage structure problems. The major development, of course, was a comprehensive rationalization of the wage structure initiated by a National War Labor Board directive in 1944.²⁶ This program, which ultimately resulted in a wage structure based on 32 labor grades, was carefully worked out over a period of several years by the United Steelworkers (CIO) and the steel companies.

In the postwar period, there have been six general wage increases at the operating subsidiaries of United States Steel, in addition to the adjustments required in 1947 when the job evaluation

²⁵ Computed from data in Bureau of Labor Statistics occupational wage studies in the basic steel industry.

²⁶ An excellent brief description of this development is given by Joe Goin, "Job Evaluation in the U. S. Steel Industry," *Bulletin*, International Metalworkers' Federation, V:1, March 1953, pp. 7-9. See also Robert Tilove, "The Wage Rationalization Program in United States Steel," *Monthly Labor Review*, 64:6, June 1947, pp. 967-982.

plan was made effective.²⁷ Only two of these increases were distributed in uniform cents-per-hour—one in 1946, prior to the adoption of the rationalized wage structure, and the other, the smallest of the postwar increases, in 1953. In 1947, 1948, 1950, and again in 1952, the increases were so distributed as to maintain relative differentials among job classes. In 1950, for example, workers in job class 1 received 12.5 cents, with additional increments of 0.5 cent for each successive job class. Thus workers in job class 32 received 28 cents. The average increase in that year was 16 cents.

The experience in steel suggests that when labor and management work out a mutually acceptable wage structure, the structure can be preserved in an orderly manner even during a period of marked change in the general price level. This does not mean, of course, that relative pay differentials will, or should, remain frozen, but that well-considered attention can be given to this aspect of wages in conjunction with the problem of general wage level. The United Steelworkers, of course, is an industrial union. It should be noted, however, that the labor force in steel comprises a very broad range of occupational requirements, with no overpowering concentration at any particular level.

In the case of the automobile assembly industry, relative occupational differentials have declined materially. In 1922, tool and die makers averaged about 55 percent more than laborers; by 1940, this percentage had declined to 41 and by early 1950 to 33.²⁸ General wage changes in this industry have been applied uniformly in cents-per-hour. In the postwar period, from 1946 to September 1953, across-the-board upward wage adjustments at the General Motors Corporation have amounted to 81 cents an hour, after deducting decreases under the cost-of-living escalator provision.²⁹ Unless mitigated by special adjustments, the type of wage contract now in effect in the automobile industry can only have the effect of compressing relative job differentials. The "annual improvement factor" increases are made uniformly in cents-per-hour, as are escalator clause increases. Downward adjustments under escalation would have the effect, of course, of widening differentials, but the possible

²⁷ See Bureau of Labor Statistics, *Wage Chronology No. 3, United States Steel Corporation*, with supplements. Developments at U. S. Steel were typical of the basic steel industry.

²⁸ Computed from data in Bureau of Labor Statistics occupational wage studies in the automobile industry.

²⁹ See Bureau of Labor Statistics, *Wage Chronology No. 9: General Motors Corporation*, with supplements.

extent of such automatic adjustments downward can be controlled if, as in 1953, agreement is reached to incorporate a substantial portion of the existing cost-of-living allowance into base rates.

Under these circumstances, it is not surprising that the United Automobile Workers (CIO) and the automobile companies should, from time to time, agree to special adjustments for skilled workers in the industry. In the postwar period, again using the General Motors Corporation for illustrative purposes, three special wage adjustments for such employees have been instituted — 5 cents in 1947, 5 cents in 1950, and, most recently, 10 cents in May 1953, with 20 cents for patternmakers and die sinkers. These adjustments partially offset the effect on relative differentials, at least as between top and bottom rates, of the practice of instituting general wage changes uniformly in cents-per-hour. Adjustments of this special type, of course, may create other wage alignment problems.

The job structure in the automotive assembly industry differs from basic steel in that there is a much greater concentration of workers toward the lower end of the skill ladder. This fact undoubtedly makes for differences in internal union pressures. Unlike steel, no extensive systematic appraisal appears to have been made of job relationships, certainly not on a joint basis.

VI

A few suggestions may be ventured as to what may lie ahead. It has been argued that, while there are deep underlying forces making for reduction in occupational wage differentials, the sharpness of the reduction in broad areas of the economy during the past decade reflects, to a considerable measure, government and union wage policy, with employer acquiescence, in an inflationary situation. It is unlikely that existing levels of prices and money wages will be permitted to fall significantly; hence a widening of differentials through decline in the cost of living, and the institution of cost-of-living wage reductions on a uniform cents-per-hour basis, is not to be expected. In any event, such a development clearly would be undesirable, if accompanied by appreciable unemployment.

Assuming reasonable economic stability, it is probable that relative job differentials will receive considerable positive attention. This seems plainly indicated by the institution in 1953 of special wage increases for skilled workers by major companies not only in automobiles, but also in electrical machinery and equipment, radio, and in scattered companies in other industries.

Such adjustments in many cases probably can be viewed as in the nature of interim measures. There may be a tendency for both labor and management to want to review, systematically and critically, internal wage alignments. There has been in recent years a widespread formalization of job rate structures.³⁰ Management, primarily, has pioneered in the development of job evaluation techniques. Through the use of such techniques, or by less formal methods, the ranking of jobs can be reviewed and their relative worth bargained over. To the extent that wage rate structures have become too compressed in recent years, corrective adjustments, perhaps spread over some period of time, can be made.³¹ The distribution of future general wage increases presumably would, under these circumstances, be most carefully considered.

The "correct" wage structure for a firm or industry is a dynamic concept. It will change with changing circumstances. Whether, for example, the rate differential between the top and bottom jobs in a particular structure should be 80 percent or 40 percent or 20 percent depends on the nature of the jobs and of the labor market. With respect to the labor market, both long- and short-run prospects need to be taken into account. Presumably in the short-run, job rate differentials need be no greater than are necessary to attract and retain the kinds of labor needed by the firm. In the long-run, however, the use of differentials to induce training and the assumption of responsibility that goes with higher level jobs cannot be neglected.

³⁰ In the sense of the establishment of single rates or rate ranges applying to jobs rather than to the individuals who may hold them. See Otto Hollberg, "Wage Formalization in Major Labor Markets, 1951-1952," *Monthly Labor Review*, 76:1, January 1953, pp. 22-26.

³¹ In the case of industries organized on a craft basis, but where joint bargaining has been practiced in recent years, with substantially uniform adjustments, a resurgence of individual craft bargaining may occur. This seems to be the case currently in the railroad industry where the Brotherhood of Locomotive Engineers is demanding a wage increase, at least in part, on the ground that the wage differential between engineers and firemen should be increased. This differential, according to the union, has declined from more than 30 percent in 1919 to 11.5 percent today. *New York Times*, September 11, 1953.

DISCUSSION

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I shall comment on the theoretical implications of the papers presented here to-day, leaving the discussion of the so-called descriptive aspects to John Dunlop.

(1) The papers by the three principal speakers lend considerable support to the following hypothesis, which I should like to label (for want of a better term) as the "economic theory of unionism": Trade-union policy, within reasonably narrow limits, is conditioned by, but does not significantly condition, market forces. Note carefully, however, that this hypothesis relates to union policy in the past. Whether this policy will continue to prevail in the future is quite another matter.¹

(2) This hypothesis is supported by the factual picture of union wage changes: (a) Over the long pull, union wage scales rise somewhat more than would have been the case in the absence of organization. (b) The differential gains of unions are made during periods of "less than full employment" and during the early stages of organization of the given union. (c) During periods of "full employment" unions show no differential gain, and may even exhibit a relative loss.

(3) Insofar as the impact of unionism on occupational wage differentials is concerned, the following comments are relevant: Up to the present, trade-unions in this country have not narrowed these differentials to anywhere near the critical point where the incentive for unskilled and semi-skilled workers to move up the occupational ladder has been seriously impaired — let alone completely eliminated. Quite the contrary. As Douty's paper clearly demonstrates, the unions have made the necessary differential wage adjustments where the occupational differentials have begun to encroach on what the parties believe to be "sound" personnel policy.

(4) But even granting that trade-union policy adapts itself to market forces, the fact remains that such adaptation is not carried out with the same speed or the same effectiveness by all unions. Why, therefore, such differences? There are a number of factors involved, but one deserves special mention here: the political structure and operation of the union. Thus, the leadership in a union which is "highly

¹ On this point see my paper on, "Trade-Unionism, Collective Bargaining and Economic Growth", Proceedings of the American Economic Association, *American Economic Review*, May 1954.

centralized" with a good deal of "authority and power" vested in the top officials can be more sensitive to these market forces (= less sensitive to the pressures of the rank and file?) than the leadership in a union characterized by a "considerably greater degree of democracy". Certainly this "political factor" should be brought into play in explaining why the policy of the Automobile Workers has been different from that of the Steelworkers with regard to the problem of occupational differentials.

(5) The degree to which trade-unions will "cooperate" with management in the future in fashioning "proper" wage structures will depend on these factors: (a) The degree to which management is willing to accept unionism in general, and union participation in this function in particular. (b) The political structure and operation of the given union: The more "secure" the officialdom of the union, the more likely is the union to participate in such wage structuring — *other things being equal*. (c) The availability of appropriate expertise to the given union. (d) The pattern of bargaining characteristic of the given unit. Thus, for example, in those units where multi-union bargaining is the rule, the pattern of occupational differentials is likely to be different from that in units where each of the several unions involved bargains separately with the same employer unit. The differential patterns in building construction and commercial printing may well be attributable, in part at least, to different bargaining patterns.

(6) The occupational wage structure in, say, the plant unit has some important implications of a very "practical" nature which, at the same time, posit fundamental theoretical questions. A few of these are noteworthy:

(a) The plant wage structure obviously leaves its mark on worker morale, as the Hawthorne studies (and others) have clearly shown. But the crucial questions are still unanswered: *How much* of an impact does it leave? Does the impact vary between different individuals? between different departments in the plant? between different plants? And if so, why? Does the impact vary over time for the same individual? the same department? the same plant? If so, why? The practical importance of these problems cannot be too strongly emphasized, for morale not only has a pecuniary cost dimension but also a high non-market value for social and political stability.²

But before the "practitioners" — whether they be management people, union leaders, or government officials — can begin making the appropriate calculus regarding what it is worthwhile to "spend"

in order to improve worker morale (whether through an "orderly" wage structure or otherwise) they must know, in reasonably good quantitative terms, just what relationship exists between morale and physical productivity in the plant, and what the relationship is between morale and political stability. But the "researchers" have thus far had pathetically little to offer by way of operational answers. Here, therefore, is another area which the theoreticians can explore for more than "purely intellectual" purposes.

(b) The occupational wage structure in the plant (to continue with that unit for illustrative purposes) obviously has an impact on the desire of the unskilled and semi-skilled workers to move up the occupational ladder — call it the occupational propensity. But just how far can we compress wage differentials without seriously discouraging such propensity? Again, we have a very important practical question, immeasurably rich in its theoretical implications about human behavior, and no answer available. Hence, another area for fruitful research.

(c) The plant wage structure leaves its mark on internal union politics; and the importance of the latter needs no elaboration here. Yet, we know precious little about how and why the internal politics are affected by the structure.

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After two brief points, these comments will be concerned with a major problem in the measurement of changes in the wage structure.

(1) In the papers by Professor Wolman and Mr. Bry, analogous problems arise concerning the "terms of trade". In selecting 1914 as a base period Professor Wolman used a period when the terms of trade between agriculture and industry were relatively favorable to farmers. Thus, part of the improvement in real wage rates for industrial workers since 1914 arises from a deterioration in the position of agriculture. It is important to ascertain the extent to which the rates of secular change in the following 40 years are influenced by this feature of the base period.

In the German data presented by Mr. Bry it is also important to observe that the terms of trade between industrial Germany and the

⁹ Cf. J. Shister, "Trade-Union Policies and Non-Market Values", Proceedings of the Industrial Relations Research Association, 1949.

raw materials and food producing sectors of the world were relatively favorable to Germany in the last quarter of the 19th century. The real wage trends need to be interpreted with this fact very much in mind.

(2) The tentative suggestion by Professor Wolman that real wage increases since 1914 appear to have been at a more rapid rate than any increases for a comparable period in the 19th century is of considerable importance and needs to be highlighted. The finding is important, for instance, for the problem of secular inflation: the extent of money wage rate increases without price inflation. These wage data, however, need to be reconciled with the statistics on the rates of increase in productivity.

(3) The remainder of this discussion is concerned with the problem of the significance of percentage or dollar values as a measure of change in wage structure. The discussion is restricted to changes in occupational or skill differentials. The problem is explored in general terms, and no criticism is here intended of any of the papers just presented.

It is frequently observed that the differential between skilled and unskilled job classification rates has narrowed, particularly in recent years. Occupations at the lower end of the wage scale have increased by a greater percentage, though typically by a lesser dollar amount, than those at the top reaches of the wage scale of a particular plant or industry.

These comparisons — the narrowing of percentage differentials — are presumed to be significant. There is a normative overtone in these comparisons: equal percentage changes are regarded as proper and narrowing of these percentage differentials is cause for comment, if not alarm. I cannot exclude myself from the group that has called attention to these narrowing differentials, having spent many hours personally computing wage changes by occupations.

Perhaps it is statistical drugery which has sown the seeds of doubt. But a theoretically relevant framework is long overdue with which to appraise percentage changes in occupational wage rates. The following analysis starts by distinguishing the case where real income is rising from the case where there is simply wage and price inflation.

(a) Consider first the case of a rise in national income as a consequence of higher productivity which takes the form of higher wage rates and constant prices. (Reserve the case where productivity is shared by constant wage rates and falling prices.) Equal percentage increases in wage rates among the various occupations will maintain the relative distribution of wage income, but the higher paid occupa-

tions receive the larger dollar increases. Imagine a simple model with unskilled rates initially at 10 cents an hour and skilled rates at 20 cents an hour: a 100 per cent differential of skilled over unskilled rates. Imagine a four fold increase in real income in the form of higher wage rates alone. This appears to be about the rate of increase Professor Wolman reports since 1914 extended over 75 years. Unskilled rates would rise from 10 cents to 40 cents and skilled rates from 20 cents to 80 cents per hour. On a 2000 hour year, the unskilled increase would be from \$200 to \$800 a year and skilled increase from \$400 to \$1600 a year. (In any realistic case, of course, some of the rise in real income might be expected to take the form of a reduction in hours.)

A variety of forces is likely to result in a more equal distribution of the increased income. On the supply side, higher income levels in the community can be expected to result in higher educational standards and more skilled labor, in this way tending to reduce the rate differentials in percentage terms. It may also be argued that the higher level of incomes in the community will affect the relative demands for labor of skilled and unskilled occupations. But it is not so certain that the effects of higher income levels are to reduce the relative demands for skilled labor as a consequence of changing technology and tastes. In fact, higher income levels might well require relatively more skilled labor. A variety of community ideas can be expected, however, to encourage a more equalitarian distribution of the higher incomes. The same ideas basically produced the progressive income tax. As income levels rise through increasing productivity, by substantial amounts, it is to be expected I believe that the new income will be distributed more equally than in proportion to income in recent periods. The result is an occupational wage rate structure which increases with higher wage levels somewhere between the equal percentage and the equal dollar value. The tendency will be for the differentials to be closer toward the equal percentage alternative than the equal dollar amount.

(b) Consider next the case where real income is relatively constant and there is wage and price inflation. Imagine large magnitudes. Wages increased some 55 times in Italy, for instance, between pre-war years and 1948. In rapid inflation all prices do not increase proportionately. Rent controls tend to hold down many rents on old dwellings. Food may rise faster. Such inflation is associated with loss of income to consumers arising from war damage or to diverting goods and services to war purposes. The lowest occupational wage levels are

associated with no savings or dis-savings, while at the top-end of the wage structure there may be some savings. Under these circumstances very strong pressures develop, apart from collective bargaining and unionism, for relatively equal absolute wage rate changes. Wage changes may take the form of cost of living allowances and bonuses in absolute amounts. Percentage differentials are sharply narrowed. They are narrowed very much more sharply than in the previous case of a rise in wage rates reflecting higher productivity.

(c) Consider finally the case of increasing productivity reflected in constant wage rates and declining prices. In this case there is a relatively no greater rise in real incomes among the lower paid occupations than among the higher paid.

While a great many more variables can be introduced, in general, occupational wage rates should be expected to move as follows: (a) If wage rate increases reflect rising productivity, then differentials may be expected to narrow slowly in percentage terms. The narrowing will be less than in the case of inflation. (b) If wage and price increases reflect general inflation, then differentials also will tend to narrow in percentage terms. The sharper the inflation, the greater the percentage narrowing. The actual course of events has been a combination of both cases.

There can be no quarrel with reporting the relative changes in wage rates among occupations. The facts of wage structure change are accurately reported in either absolute or percentage terms. The above comments suggest, however, that equal percentage changes among occupations do not necessarily have normative or theoretical significance. Equal percentage changes among occupations are not to be expected, nor do equal percentage changes constitute a norm from which to appraise wage rate changes.

Part IV

ANNUAL WAGE GUARANTEES: A GROWING PROBLEM IN INDUSTRIAL RELATIONS

SOME PROBLEMS OF ANNUAL WAGE GUARANTEES

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LIFE IN THE UNITED STATES, more than in any other country, has been reshaped by the headlong advance of technology. As manual labor has given way to mechanized work, with ever-widening use of mechanical motive power accompanied by steady progress in machine technology, to most Americans wages have become the sole source of livelihood.

Thirteen years of high employment maintained in this country since 1940, during which the problem of finding a job was far less insuperable for most workers than in the previous years, have served to move out of clear focus the vital importance to the worker and to the economy as a whole of a stable wage income.

It is important to recognize that rapid strides made during these years in technology, in production and in the standard of living, have been paced by far-reaching changes in the economic structure of our society. Agriculture, capable of producing more with fewer hands, provides livelihood to fewer people. Of the number unemployed and seeking work thirteen years ago, some 6.5 million have been shifted from idleness to active endeavors. The maintenance of armed forces at least 3 million strong has become a normal expectation, in contrast to only 400,000 men under arms in 1940.

According to the Census, between 1940 and the end of 1953 (October) our population increased from 132 million to 160.5 million, a rise of 21.6 percent. During the same period, our civilian labor force increased from 55.6 to 63.4 million or 14 percent. Yet, in the same span of time, the number of employed workers (other than employers, family workers and self-employed) in non-agricultural employment has risen from 32.3 million to 48.1 million, an increase of 49 percent. To put it another way, while in 1940 workers earning wages and salaries constituted 62 percent of the civilian labor force, today they represent 76 percent.¹

This means that steady continuity of wage income has acquired greater significance than ever before to the maintenance of a prosperous and expanding economy. A nation in which a wage-earner is predominant and in which wage income is the main source of buying power must concern itself with the problem of continuity of wage income.

Wage Income and Employment

In the ten-year period from 1931 through 1940, unemployment has been at the annual average of over 9.9 million, ranging from 7.7 to 12.8 million. Last October it was still at the peacetime low of 1.2 million. Yet there was plenty of evidence that increased unemployment was on the way. Curtailments in parttime, temporary and supplementary jobs have displaced from employment substantial numbers of secondary breadwinners in the family, who have dropped out of the labor force, becoming reliant on the primary breadwinner's income. In the six weeks ending in mid-December, the number of claims for unemployment compensation rose more than 640,000 or over 84 percent. Many workers have realized that their jobs are not recession-proof and that continuity of their wage income is a very real and immediate problem to them.

As layoffs hit an increasing number of workers whose jobs are not temporary and who are primary breadwinners in the family, the sudden cut-off from the source of livelihood is likely to bring the entire family on the brink of economic distress. If the layoffs are general in the particular community, with no prospect for other work, loss of income would be catastrophic.

The newly unemployed worker is normally eligible to receive unemployment compensation, after a waiting period, if he meets the increasingly severe eligibility requirements. But the average unemployment benefit amount is less than \$23 per week. This is not enough to feed a family of four, to say nothing about rent and other necessities. It will not be long before savings are exhausted, installment purchases are repossessed, the car is sold and the downward spiral ends in privation.

The primary source of continuous wage income is productive employment. A general decline in employment either in an industry or in the economy as whole may be brought about by short-sighted actions of the business community, whether in the form of misguided price, inventory, investment or other policies. But, as a rule, declining business activity and recession unemployment cannot be prevented by an individual firm or a particular employer. Anti-depression measures to be truly effective must involve the whole community and the whole

¹ Nearly one-half of the increase may be attributed to the absorption into employment of wage and salary workers unemployed in 1940. But whether the comparison is made on a gross or net basis, the evidence is clear that the relative importance of wage and salary earners in the economy has been substantially enhanced.

economy. They may be a combination of public and private policies, but they can hardly be effective unless given positive support by the national government.

But even if business activity remains relatively stable and the threat of a recession is averted, a large proportion of our employed workers are subject to seasonal unemployment or intermittent layoffs. A million workers employed in trade establishments in December are likely to be laid off in January. Between a third and one-half of construction workers employed in August may be unemployed in February. Food industries, apparel, coal mining are among the industries with sharpest seasonal fluctuations.²

Much has been made of uncanny mobility of the American worker in recent years. Actually worker mobility in the more recent period has been of two kinds. First, there were great movements of workers both in World War II and in the defense period since 1950 to areas of rapidly expanding war or defense employment where there was a promise of steady work at better pay and, perhaps a possibility of permanent resettlement in another community. Second, there has been a more or less customary movement of workers to areas of seasonally greater employment opportunities. Union referral to jobs in building trades and in certain metal trades has facilitated this type of movement. There has also been, of course, the pattern of seasonal migration of farm workers and those in highly seasonal agricultural processing.

It is true that with more accessible transportation and in the atmosphere of confidence generated by lasting high employment, our workers have moved around the country more than before. But their mobility has been greatly exaggerated. And those praising the "dynamism" of our labor force usually overlook the dangers of excessive mobility — dangers to the community, to the family, to the worker himself, and even to the employer.

Even in the presence of such mobility, limited as it is, and with considerable variation of troughs and peaks of seasonal employment in different industries and trades, opportunities for interchangeable employment are extremely limited. A garment worker or a retail clerk unemployed in January finds little consolation in the fact that January is a busy month for miners. And an older factory worker laid off in June has a hard time competing with youngsters pouring out of schools and pouncing on every job opportunity.

In the past twenty years considerable progress has been made, especially in manufacturing, but also in construction, in reducing

seasonal fluctuations in employment. In factory production employment stabilization has been successfully achieved as the result of careful production planning and in some notable instances the product of union-management cooperation. The cement industry, for example, used to gear its production to the flow of orders with the resulting heavy fluctuations in the use of plant capacity and in number of workers on the payroll. The AFofL Cement Workers urged year-around production for stock. The management went to work on the problem with the union and a stable employment pattern soon began to emerge.

Much still remains to be done in smoothing out avoidable fluctuations in employment from one season to another. Too often sales and distribution practices, buyers conventions, piling up of style and model changes and other customs of the trade enhance instability while preventing substantial savings in unit costs which steadier output and employment would make possible.

Stabilization of employment, the first major step toward bringing within the reach of workers steady year-around income, is a problem on which unions are anxious to work closely and cooperatively with management.

Dismissal Pay

A worker while performing the duties assigned to him acquires a vested interest in his job. Under proper management and in the presence of satisfactory labor-management relations, a worker contributes more to the enterprise than the mere performance of prescribed duties. He is a part of the enterprise. Whether his skills are intricate or simple, his are human skills; they are creative in the same sense that all production is creative. His wage does not compensate him for the part of himself that he has contributed in the course of his employment.

Abrupt severance from employment, without any regard to the stake the worker has built up in his job, destroys the sense of mutual responsibility between him and the enterprise. Such abrupt dismissal, without provision for at least a measure of continuity of income after employment has ended, makes industrial society unstable.

A number of unions, in different industries and trades, have negotiated agreements for dismissal or severance, or terminal pay. In some instances dismissal pay plans have been instituted on manage-

* For analysis of data to 1950, see W. S. Woytinsky and Associates *Employment and Wages in the U. S.*, The Twentieth Century Fund, 1953 pp. 336-341.

ment's initiative. Dismissal pay, for which the worker becomes eligible after a specified probationary or eligibility period, is usually related to the worker's length of service. Higher seniority workers may thus be entitled to compensation running over a period of several months.

Dismissal compensation is an important means of giving at least a measure of economic security to the worker, of maintaining his dignity and preserving his skill for proper future use. It should gain wider acceptance in collective bargaining with respect to all types of employment.

Guaranteed Annual Wage in Perspective

The first known annual wage guarantee was union-negotiated. A leading wall paper manufacturer, the National Wallpaper Co., and a union which is now the AFofL Wall Paper Craftsmen negotiated a guarantee of 11 months of employment per year back in 1894. Similar guarantees were later put into effect by several other wall paper manufacturing firms.

This plan's history reflects in part some of the typical experience with guarantees. In common with most later plans, it was modified on several occasions, being liberalized at some times and tightened at others. Along with this adaptability it showed, as did most plans which survived their initial several years, an impressive permanence. It continued in some form until 1930.

There are some 15 known instances of similar plans established before 1921. The Brewery Workers' Union in Philadelphia negotiated a city-wide agreement for wage guarantees shortly after the wallpaper agreement in 1894. An Indianapolis conserve company put a broad annual wage plan in effect in 1917. There were others.

The recession of 1921 gave new impetus to annual wage guarantees. After extended negotiations, the AFofL Ladies' Garment Workers Union won an annual wage guarantee agreement from Cleveland garment manufacturers. The agreement continued in successful operation until a general shutdown brought it to an end in the midst of the great depression of the 'thirties.

It is interesting to recall that annual wage guarantee was favored by firms noted for paternalism and anti-union bias, coming on the crest of the open-shop drive of the 'twenties. Of these early and hardy plans was the Procter and Gamble Co. plan inaugurated in 1923, providing for a 48-week guarantee, and a similar plan instituted by the McCormick Co. of Baltimore.

It was with the depression of the 1930's that the evils of employment instability came into greatest focus. Methods of regularizing production began to receive greater emphasis.

The broadened attention directed to employment stabilization was highlighted by the appearance of the late AFofL President William Green before a 1934 hearing on an NRA code of fair competition of the auto industry, at which he called for the introduction of a guaranteed annual wage. Mr. Green also urged a drastic revision in the industry's notorious practice of concentrating new model promotion, production, and employment in one small part of the year, greatly enhancing instability.

Although there was a great deal of progress in eliminating some of the most unstable employment practices, few employers went so far as to put employment on a guaranteed basis, and unions generally were not in a position to make much headway with guarantee demands.

Prior to the 1930's, the establishment of annual wage guarantees was discussed and, in some instances, adopted against the background of almost complete absence of affirmative action by the community to reduce the hazard of economic insecurity of workers through legislation. While extremely limited measures, such as the permanent public works proposals and various employment stabilization schemes were considered during the 20's, no concrete legislation was ever taken up in Congress until after the 1929 crash.

In 1932 a Wisconsin law placed a tax on employers for an unemployment benefit fund, but remitted the tax on those who established employment guarantees. With this inducement, 96 wage guarantee plans were put into effect in Wisconsin, but all were discontinued when the tax remission feature was modified to conform with the Federal unemployment insurance law. Various minor legislative provisions purporting to encourage wage guarantees were adopted by six other states but without any appreciable results.

A provision was included in the Fair Labor Standards Act of 1938, establishing minimum rates of pay and overtime requirements for workers whose employment is related to interstate commerce. Section 7 (c) of the law exempted from overtime pay requirements employers who enter into an agreement with a union to guarantee work on a semi-annual or annual basis. This provision, despite some liberalization in 1949, has failed to bring forward any substantial response from employers, with relatively few firms, mostly in the highly seasonal industries, taking advantage of the provision. The

FLSA provision relates more closely to the so-called "constant wage" type of plans than the genuine annual guarantee since it forces savings by workers and provides compensation for time not worked out of their own earnings.

The upturn in employment brought on by World War II temporarily diverted attention from problems of employment insecurity. As early as in 1943 however, there arose anew an increasing concern over the hardships of possible layoffs.

One of the demands for an annual wage guarantee, that of the CIO Steelworkers on the steel industry, was taken to the War Labor Board, and although the Board denied it on the ground that the subject required more study, it recommended to President Roosevelt that such a study be undertaken by a special commission. The President thereupon initiated such a study to determine the extent to which wage guarantees could serve as a means of stabilizing employment and regularizing production.

The resulting monumental study by Murray W. Latimer, brought out by the Office of War Mobilization and Reconversion in early 1947, favored adoption of wage guarantee plans, and recommended that such guarantees be coordinated with unemployment insurance.

However, this government-sponsored study and other analyses published during this time did not bring about any substantial advance in collectively bargained wage guarantees. General demands for such guarantees were pressed by a number of unions but with scant success. In the meantime, the wartime experience with wage stabilization helped to shift emphasis on the problems of worker disability and retirement. Since that time there has been a broad expansion of negotiated pension plans and health and welfare benefits.

Today, the existing wage guarantee plans cover only a small fraction of wage earners. A survey in 1952 by the Bureau of Labor Statistics of some 2,600 collective bargaining agreements found that less than one percent contained annual wage guarantee provisions. A number of additional plans have recently been negotiated, the most notable being those obtained by the AFofL Teamsters at warehouses and other firms in St. Louis and the guarantees negotiated by AFofL affiliates with sugar refining companies in Philadelphia. The CIO Steelworkers have kept alive the demand for guarantees, but these were dropped in the 1952 agreement. The UAW-CIO has placed foremost emphasis on the wage guarantees and is preparing to press the demand for them.

With the halt in Korean hostilities and uncertainty in the employment outlook, there has been a renewed union interest in the annual wage. In most instances, the activity of unions emphasizing it is in preparatory stages.

Methods of Wage Payment

In an economy so heavily relying on the availability of qualified labor, it is indeed an anachronism that the bulk of the wage earners receive compensation on an hourly basis. "Hourly-rated" employees predominate in most industrial employment. Where piece-rate and incentive systems are in effect, they are still anchored to the amount of work performed by the hour. Repeated attempts have been made by industrial workers to place compensation on a weekly basis. For example, AFofL Amalgamated Meat Cutters in Philadelphia had an early success in negotiating a guaranteed 36-hour week. Many other unions at various times have negotiated contracts providing for wage guarantees covering weekly, monthly or longer periods. These, however, have been the exception rather than the rule. Most industrial workers have no assurance of being paid for more than the actual number of hours of work they are called upon to perform with usually little or no notice of work termination.

In the case of white-collar workers and government employees, compensation may run on a weekly, bi-weekly, or monthly basis. In practice, however, the difference from the standpoint of economic security is not very substantial. There are many instances where a clerk, employed by the week, may be paid only a portion of the weekly salary if he was employed only one day during that week. There is thus no real correlation between the basis of compensation and the length of the pay period.

The salary of government employees, executives and some others is usually stated in annual terms. This doesn't carry with it the assurance, however, that compensation will be continued throughout the year. In corporate practice it is the top executive who has a relatively fair assurance of an annual basis of his tenure and compensation.

Bargaining Problems

Annual wage guarantees may be appropriate in some industries and unsuitable in others. As AFofL President Meany has recently pointed out, an employer who has no assurance of the future volume of business is ill-equipped to underwrite a wage guarantee to his workers. In highly irregular, unstable or casual forms of employment

annual guarantees are obviously impracticable and have not been sought by unions.

There has been considerable experimentation over a period of years with arrangements designed to establish an annual basis of compensation in building and construction. Some of these experiments carried out with active support of building and construction trade unions were undertaken under the best conditions obtainable, such as large-scale housing projects. Despite these conditions, the staggering of the crews from foundation digger to the painter where the steady movement of each skill to the next successive stage proved to be impractical and uneconomical. The building and construction workers have since concentrated their efforts on the methods designed to lengthen the construction season, to make work possible under adverse weather conditions, and otherwise to lengthen the span of gainful employment during the year. They generally regard the annual wage guarantees as unsuited.

An attempt to bridge the seasonal gap in employment through wage guarantees may or may not be successful, depending on the nature of the plan, the amount of financing allocated to it, and the adequacy of reserve funds. The feasibility of the guarantee plans is the greatest in industries and businesses where business planning for production is on the annual basis.

The proposal for the guaranteed annual wage in the automobile industry advanced by the AFofL in 1934 was based entirely on the proposition that most auto manufacturers lay down for a year ahead plans for the procurement of materials and financing, scheduling their production accordingly. We argued that, if an automobile company finances the use of materials, machinery, and the plant on the annual basis, it should also be able to place the employment of workers on an annual schedule.

It is notable that resistance to annual wage guarantees seems to be the greatest in the areas of employment where they seem to be most feasible. It is interesting also that while several large corporations, including General Electric and General Motors, experimented with the annual guarantee on their own initiative in the past, they now vigorously denounce it when the plan is brought forward as a union proposal.

It is widely agreed that an annual guarantee should be "tailored to fit" the individual situation, but there are few tailoring standards and little agreement as to what makes a good individual fit. This lack

of definitive patterns will no doubt encourage industrial study of problems involved and better informed collective bargaining.

Another bargaining problem is the relation of guarantees to other means of worker protection against layoffs. Among a variety of safeguards, dismissal or layoff pay plans, previously mentioned, are already in effect in a large number of companies. They contain in them an important phase of the annual wage guarantee approach.

Assuming there is some disposition on management's part to consider a wage guarantee, there are likely to be major differences over the kind or character of the guarantee. Management will naturally tend to restrict and trim guarantee provisions to minimize potential costs.

Unions will have to weigh the acceptability of various types of restrictions in the light of the goal of greater employment stability. They will have to determine how far a guarantee may be qualified without washing away its value as at least a worthwhile start.

Allowance should be made for the fact that conscientious and imaginative re-evaluation of existing practices should lead to some stabilizing innovations to help reduce possible expense of a guarantee. Furthermore, costs will be, in some measure, offset by economies gained from reduced labor turnover, from more efficient use of capacity permitted by regularized production, and from such other by-products as improved employee morale and productivity. In some situations these gains may be greater than the costs.

As to the restrictions, how large a proportion of workers, if any, should be excluded from coverage? The answer is all-important. No matter how liberal a plan may be otherwise, it hardly offers the necessary protection if it is confined only to the portion of the work force already enjoying work stability. Management tends to restrict the guarantee to that percentage of the work force which has been retained in the most depressed period in the company's history. A guarantee so restricted does little more than acknowledge the existing stability — and it provides neither aid to the large number unprotected against layoffs nor added incentive for management to provide greater work stability than in the past.

A guarantee so limited provides stability for one part of the work force only at the price of aggravating insecurity of the remaining workers.

Other areas of possible limitation are the amount of work to be guaranteed and the size of payments to be made when work is not

available. Some unions are more favorably disposed to an alternative restriction which would limit the financial liability of the employer to a specific cents-per-hour payment to a guarantee trust fund.

Management may also seek a clause to excuse it from guarantee requirements when work shortages are the result of certain emergencies. The problem of union negotiators is to avoid the drafting of an escape clause so wide that it deprives the guarantee of value when the workers need it most.

Another problem is administration. Who will decide questions of eligibility? Experience under the unemployment insurance program has demonstrated that restrictive administration of eligibility rules can greatly undercut a plan's value. Union participation in administration may be necessary if advantages of a plan are not to be dissipated.

A related question concerns the type of work which would be guaranteed. Shall the guarantee apply to the employee's regular work or may he be transferred to any other work? If he may be transferred, is he to be paid his normal wage or may he be paid a lower rate of pay if the transfer is to lower-paid work? It is easy to see that a policy which stresses indiscriminate transfers could quickly wipe out long-established union work standards.

Protection of Work Standards

This raises squarely a problem which requires more emphasis. Unions must recognize that the mere labeling of a plan as a wage guarantee does not automatically make it worthwhile. Some guarantee provisions might very well mean a cutback in existing working standards.

A guarantee plan which in effect merely divides wages equally over a year to cover periods of employment and unemployment is not a satisfactory guarantee but rather a diminution of wage standards. A deferring of payment of wages earned one week to another week, without an assurance of a specific number of weeks of work, is only a wage-advance or forced-savings policy. Similarly, plans which provide for guarantee of wages which fluctuate with the company's sales volume can be exceedingly dangerous because they permit an undermining of reasonable and dependable wages.

In striving for the very real contribution which an annual wage guarantee can make to necessary employment stability, unions must be ever mindful of the danger that a guarantee may become an end in itself rather than one means of achieving greater stability. Annual

wage guarantees should not be negotiated at the price of concessions far out of proportion to their likely value or at the risk of abandoning hard-won union wage and other employment standards.

The Role of Wage Guarantees in the Economy

We have seen that annual wage guarantees are a device for enhancing the worker's security suitable in some types of employment and inappropriate in others. It is clearly only one of the forms of private action which can enhance employment stability and worker security. It is not a panacea for eliminating income insecurity caused by either seasonal or cyclical fluctuations.

Unemployment compensation is the proper means of providing the necessary minimum of economic security to workers subjected to unemployment. The present multiplicity of unemployment compensation systems with their highly variable standards makes unemployment insurance pitifully inadequate. The vicious merit rating provisions forced by large corporations into general acceptance has brought about an unfair and uneven distribution of the cost load among employers.

Annual wage guarantees are not a substitute for unemployment insurance. While wage guarantees can quite appropriately supplement unemployment compensation, they should not impair the unemployment insurance system. A worker must be paid unemployment benefits under the national law as a matter of right and not through the employer's beneficence exercised at the employer's choice.

In the same way, union's concern in annual wage guarantees must not divert them from the fundamental problem of developing a combination of public and private policies which alone can assure employment stability throughout the economy and maintain lasting prosperity.

PRIVATE GUARANTEED WAGES AND UNEMPLOYMENT COMPENSATION SUPPLEMENTATION

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IF WHAT FOLLOWS appears to be on the critical side, it should be kept in mind that my instructions were to deal with questions and issues which are of concern to the employer.

Employers prefer to operate on a year-round basis and provide steady jobs. The human resources of an organization are the most valued resources. Unemployment of men and machines is wasteful. Continuous productive employment at good wages benefits the worker, the employer and all members of the community.

The typical worker has no substantial source of income other than his pay envelope. His well-being and that of his family are dependent upon a steady flow of paychecks.

A dynamic free economy is subject to constant change. To some extent there is a conflict between security and economic progress. Interruptions of employment may be due to the gains of one employer at the expense of his competitors, to shifts in free consumer choice, waves of optimism and pessimism, unwise or inadequate contracyclical monetary and fiscal policy, the rhythm of the seasons, new inventions and technological changes, strikes, war, defense mobilization and other factors. There are many types or causes of unemployment.

Hardships from unpreventable unemployment may be mitigated through personal thrift, unemployment compensation and public relief. But these are not adequate substitutes for productive steady employment at satisfactory wages. As a further forward step, what merit is there in the idea of the private guarantee of wages?

Employees covered by unemployment compensation (UC) have a wage guarantee. This guarantee typically runs for about five to six months at a weekly benefit of 30 to 50% of regular full-time wages. State legislatures have from time to time expanded coverage and raised the weekly benefit and duration of benefits.

A few employers have experimented with private guaranteed wages. Some of them report good results. But the movement has not spread widely. It has been confined largely to certain service and nondurable goods industries.

The difficulties experienced by employers in adopting full-time annual guaranteed wage or work plans, and the unions' difficulties in getting state legislatures to meet fully their demands, have induced some labor leaders to press for "guaranteed wages" in the form of supplementary private unemployment benefits to be gained through collective bargaining. This raises important economic, legal and administrative questions.

Evaluation Without Definition?

Many of the endless arguments about the guaranteed wage flow from our inability to define the term precisely. Can we evaluate that which is indefinable? Is work or income guaranteed? How much? To whom? Under what circumstances? What are the exceptions? Is the guarantee suspended under acts of God, fire, strikes among suppliers or transportation agencies, boycotts, war and defense mobilization requirements, etc?

Guaranteed plans and programs vary widely. Different industries, companies and plants, furthermore, are subjected to a wide range of forces affecting the degree of stability and instability. To make matters still more confusing, the power of management to overcome or offset employment or market demand instability may vary between zero and 100%.

All of the foregoing makes discussion of the guaranteed wage an exercise in disputatious forensics, often unpleasant. A CIO official recently said, "I wish I knew what the CIO plan is." This confusion and frustration extends far beyond the CIO.

In fact, recent pronouncements from the CIO, from its officials, from its member unions and from their officials, have moved in all directions simultaneously — in spite of the interlocking directorates among them.

Halos Vaporized

Even more confusing are the precipitate reversals of field among them. For years members of the I. R. R. A. have been studying and publicly praising in oral and written word the economic statesmanship of Hormel, Nunn-Bush, and Proctor and Gamble. The CIO often led, or joined in, the praise. These plans, the CIO and many I. R. R. A. members were marching together arm in arm, so to speak, building security and a better world.

Now, with inadequate notice the CIO and particularly the UAW makes an 180 degree turn. "None of the existing guaranteed wage plans" we are told, "meet the needs of their members." Every plan contains one or more features which are "totally unacceptable." Furthermore, "many were company-initiated in nonunion plants," an onerous, burdensome liability which marks them for death and destruction!¹

Yet, the CIO is still circulating a film strip explaining the advantages of the Hormel plan and, without qualification endorsing it. Unionists are encouraged to promote the idea. Many words were written in praise of the pace-setting guarantee plans, words that now must be rewritten. All this may put some exponents of these plans in an embarrassed and frustrated position. Should the halos surrounding these plans and this economic statesmanship be allowed so suddenly, without adequate notice, to vaporize into nothingness?

These plans were successful partly because under them management and workers cooperated in making them work. Under the Hormel plan, for example, weekly earnings were made more nearly equal and guaranteed for a year, by relinquishing overtime in peak weeks. Now, UAW, says "We will have none of this." Under Hormel's plan, Procter and Gamble's and others, success was achieved by shifting workers from slack to busy departments, etc. Some plans were made workable by limits on the length of the guarantee or coverage extended only to regular workers or those with a year or more of seniority. But now these features, which made the plans workable, are roundly denounced.

Waves of Guaranteed Wage Demands

For nearly 20 years, successive guaranteed wage demands have been made. Every new major union demand for the guaranteed wage has set off a spate of articles, pamphlets, speeches, conferences and

¹ The extreme positions are found in "Progress Report on Guaranteed Annual Wage Preparations," UAM-CIO, December 6-7, 1953. Whether this report and particularly its class-conscious vitriolic language represents the views of union members may be doubted by some. Businessmen are pictured in terms of Marxian analysis. They are quoted out of context and made to be the enemy of society and the workingman. Should this document fall into the hand of *The Daily Worker*, Vishinsky or the Kremlin, it would enable the Communists to "prove" through official union spokesmen the things which Communists would like to believe about the American employer and our economic system, just as they were able to quote at the ILO and other international meetings our highest government and union officials statements that slavery existed in the United States under the "slave-labor" provisions of the Taft-Hartley Act.

panels like this one here today. For the most part, this outpouring has been monotonously repetitious and barren of new ideas. The government report, *Guaranteed Wages*, commonly called the Latimer report, growing out of the steel union demands in 1943 to the War Labor Board, was published in 1947, and did come up with several new ideas.² It established, perhaps for a long time, the practical difficulty or, indeed, the impossibility of the traditional guaranteed annual wage in many businesses and industries. Therefore, this report developed a new approach — the idea of supplementing the legislative guaranteed wage (UC) with the private guaranteed wage.

Employers had experimented with guaranteed wage plans for fifty years. Yet Latimer was able to report only a few plans covering some 61,000 workers. Even so, his count included numerous plans which covered less than 1% of the workers in a plant or possibly just one worker in a plant! This was accomplished by defining the guaranteed wage plan as one “under which an employer guarantees to all or a defined unit or group of his employees a wage or employment for at least three months.” The breath of this definition was spelled out by many hundreds of words.

Obviously, the slow rate of expansion of private guarantees was a disappointing showing for fifty years of experimentation. Especially disappointing was it, since Latimer noted that Section 7 (b) (2) of the Wage and Hour Law of 1938, and a special provision [Sec. 1602 (a) and (c)] of the Social Security Act. of 1935 — both designed to foster guaranteed wage plans — were relatively unproductive of results. Corresponding provisions in the laws of seven states proved similarly unproductive.

Furthermore, Latimer reported the employment fluctuations of 42 establishments from 1937 to 1941 — a period of general expansion with, however, a short but deep depression in 1937-38 — including automotive, steel, glass, rubber, meat packing and other foods, services and others. Where the traditional guaranteed annual wage was practical it wasn't much needed and where the layoffs were greatest, it was wholly impractical.

Latimer found that instability varied widely. The outlays for a fully guaranteed annual wage in the durable and heavy goods industries would have involved prohibitive costs. In 1938 for several auto-

² *Guaranteed Wages*, Report to the President by the Advisory Board, Office of War Mobilization and Reconversion, U. S. Government Printing Office, Washington 25, D.C. \$2.00, January, 1947, commonly called the Latimer report, which is no doubt more accurate.

mobile plants the costs would have been 100% of payrolls or more. In a single iron or steel plant the costs would have been 222% of the payroll. In other unstable plants the costs would have run from 100 to nearly 200%.

Again, this was disappointing. It drove Latimer to the idea of rigidly limiting private guarantee outlays and of promoting supplements to unemployment compensation, but the name "guaranteed wage" was retained. The limitations and restrictions were designed to make the guaranteed supplements palatable to employers and the public.

Our own recent study included data on fluctuations of production workers (not heretofore available) in the two prosperous years ending December, 1952.³ The data for a small sample of agricultural machinery companies (along with other industries) show that *the median company* suffered a decline from its highest to its lowest month of 56%. And this was a period of very high, perhaps abnormally high, prosperity.

Why the disappointing findings of Latimer did not make a greater impression on those concerned with the guaranteed wage in the seven years after publication of the report remains a mystery. Perhaps the Latimer findings were ignored because of the subsequent prosperity. Perhaps this neglect is traceable to the unreadable character of the report. It is poorly organized, obscure, ambiguous, repetitious, it has many internal contradictions and the sentence structure is awkward. Any professor who wants to punish a student need only assign him to study this report. Perhaps the economic studies by Professors Hansen and Samuelson, included as Appendices, disillusioned exponents of the guaranteed annual wage, and the proposed idea of supplementing unemployment compensation lacked the lure of the guaranteed *annual* wage.

Employers, nevertheless, would be well advised to study this report. A report that cost the taxpayer a quarter of a million dollars, furthermore, should not receive such neglect and shabby treatment. Also, in the spring of 1953 the CIO President said that this time

³ *The Economics of the Guaranteed Wage*, Chamber of Commerce of the U. S. A., Washington 6, D. C., 35 pages, 50c. The figure quoted, of course, tells us nothing about UC costs, or what a combined UC and private guarantee would cost. This would depend on the promptness with which disemployed workers found and accepted jobs elsewhere, which in turn would be some function of the level and duration of idletime benefits.

"we mean business" and "we don't want to hear, a year from now, that employers first have to study the matter."

Maintaining Purchasing Power

That the guaranteed wage will assure sustained prosperity through the maintenance of purchasing power is commonly advanced. In spite of its surface plausibility, this view has not found defenders among experts in cycle theory. No recognized economist has found it possible to assign any substantial validity to this argument, and some, on the contrary, have concluded that the added rigidity of the guaranteed wage might make depressions and underemployment more probable.⁴ Here, today, in spite of its importance we do not have time to examine the argument further.

Supplementing Unemployment Compensation

All of this disillusionment drove Latimer into the new line of approach. Although UC laws had been in operation for a decade or more, it was suddenly realized that under these laws most employers already had to pay a guaranteed wage and most employees had a wage guarantee. Why not graft the private guarantee onto this structure?

Thus, Latimer said,

"The problems inherent in guaranteeing wages are substantially those involved in extending and increasing unemployment insurance benefits; for neither with respect to emphasis on employment stability nor with respect to paying idle workers are there basic differences between the two approaches." (Page 6)

To emphasize this analogy between private guaranteed wages and UC, he went on to say,

"It is sometimes said that a guarantee of wages is to be distinguished from unemployment insurance because the former emphasizes the provision of work whereas unem-

⁴For careful examination of this argument see: A. D. H. Kaplan, *The Guarantee of Annual Wages*, Chapter VII. Several other economists noted for their objectivity have come to similar conclusions. See particularly: Rita Ricardo, "Annual Wage Guaranteed Plans," *American Economic Review*, December, 1945, p. 870; Wassily Leontief, "The Pure Theory of the Guaranteed Annual Wage Contract," *Journal of Political Economy*, February, 1946, p. 76.

ployment insurance emphasizes the payment of income when no work is performed. This distinction is not as tenable as might at first sight appear."

Again, he stressed the analogy in these words,

"In terms of the intent of those who framed the existing institution of unemployment insurance in the United States, however, it would be incorrect to say that unemployment insurance was any less aimed at providing work, instead of pay for idle time, than are wage guarantees."

Speaking of UC, Latimer made the startling statement that, "Its existence constitutes the largest single bulwark against a recurrence of a period like 1929-35." He was thoroughly sold on it—perhaps oversold on it as a contracyclical weapon.⁵ But if it is such a "bulwark," why not build on it?

In spite of Latimer's repeated observations of the similarity of unemployment insurance and the private guaranteed wage, both as to benefit payments and as to providing employers with an incentive to stabilize operations, his report has a "built-in" hostility and bitterness toward experience rating. In page after page experience rating is strongly criticized; yet for the most part the private guaranteed wage is justified on experience-rating grounds, as already noted in the quotations above.

And all major union demands from professional labor leaders for the private guaranteed wage in the last two years have repeatedly used this same argument. They now argue that the conversion of labor costs into a nonavoidable overhead cost would stabilize or help stabilize our economy.

For 15 years most labor leaders have had nothing good to say about experience rating. They have argued that unemployment is a national problem requiring national action, and one over which individual employers have little or no control. Now, suddenly, all these arguments are swept into the wastebasket. Some others who have accepted this attitude toward experience rating may now reappraise their attitude.

While there is some hedging, the UAW-CIO now says that any guaranteed wage program should:

⁵ This does not mean that we are helpless in dealing with cyclical instability. See: *Sustaining Prosperity*, Chamber of Commerce of the United States, Washington 6, D. C.

“provide the strongest practical incentives to employers to plan for regular, full-time, year-round employment for all their seniority workers and to provide regular income to those seniority workers when the employers fail to provide such employment.”

The 15-year record of hostility to experience rating grossly exaggerated the impotence of the employer in overcoming some types of unemployment such as seasonal and other short-run. Now the new revelation grossly exaggerates the ability of employers to take action which will overcome depressions and assure continuity of jobs, or income, or both. This type of exaggeration and reversal of position is confusing to employers. It makes it difficult to discern what labor leaders or their advisers really do believe.

George Meany, President of the A. F. of L., on the other hand, stated:

“We have not pressed that demand. We may come to it someday . . . it’s almost an impossibility under our economic system to have a guaranteed annual wage in certain types of business . . . there are millions of workers with corporations that couldn’t possibly make such a guarantee.” (*U. S. News and World Report*, November 6, 1953)

Meany explained that in some cases a guarantee might be possible where market demand is stable and predictable and where building for stock during slack times is possible. He took almost the identical position which was expressed in the National Chamber’s recent pamphlet, *The Economics of the Guaranteed Wage*. It was shown that the prior stabilization of production, or sales, or both, was a prerequisite to any all-out guarantee.

While this makes sense, some other labor leaders are moving all over the lot. The United Steel Workers’ union has done enough work to recognize the severe limitations which must be placed on the guaranteed wage or wage supplements. (Alcoa negotiations, 1953). This modesty, of course, may be temporary.

The UAW, on the other hand, asked for guarantees virtually without limit in these words:

“All workers should be guaranteed employment or guaranteed payments from the time they acquire seniority. The guarantee should assure protection against a full year of

layoff for all eligible workers and for shorter periods on a graduated basis for those who have not worked the minimum qualifying periods." (Italics added)

Then it goes on to say:

"The guaranteed annual wage plan, therefore, must provide protection for both low and high seniority workers and for all those in between."

In spite of Latimer's recognition of the limitation on the capacity of the employer to guarantee year-round wages to all or virtually all workers, the UAW nevertheless demands full take-home pay:

"Guaranteed annual wage payments should be made to workers for whom management fails to provide work, in amounts sufficient *to insure take-home pay adequate to maintain the living standards which the worker and his family enjoyed while fully employed.*" (Italics added)

This is to be accomplished, however, by integrating the private guarantee with the public guarantee (UC).

Then we come to a bit of curious logic:

"Guarantee payments should be integrated with state unemployment compensation benefits so that employers can reduce their liabilities by effectively working toward the improvement of the state laws."

Since employers already finance unemployment compensation, it is difficult to see how the grafting of the private guarantee onto UC would "effectively" reduce employers' "liabilities."

Even more difficult to understand is this statement:

"The higher state unemployment compensation benefits are raised, the greater the number of weeks for which they are paid, and the fewer the unjust excuses for disqualifying workers from eligibility for benefits, the lower will the cost of the guaranteed wage be to the corporations."

Does this mean that the union believes that greatly improved and expanded UC is costless? Or, does it mean that the union figures that employers do not know that they pay the UC tax and, therefore, they will joyously urge expansion of UC benefit levels and duration?

And if such expansion goes far enough then the private guarantee would be costless?

Indeed, the UAW convention resolution in 1953 advanced the private guarantee demand as a primary weapon in getting extension and increases in state UC benefits.

Codetermination

Another matter that bothers employers is the codetermination approach of the CIO. The UAW in its annual convention in 1953 demanded joint administration of the guaranteed wage funds.

In supporting this approach the ideas and language of the CIO 1951 Codetermination Resolution were invoked. This called for joint union control of prices, production levels, rates and nature of capital investment, rates and nature of technological changes, the size and the location of industrial plants, and a number of other matters now decided by the judgment of the owners and executives of the enterprises under the pressure of competitive forces and free markets, war and mobilization demands, etc. Under this approach industry-wide and even interindustry cartel-like arrangements would be set up. Indeed, Philip Murray in supporting the Resolution endorsed it by showing its similarity to the N. R. A. codes in 1933 which exempted industry from antitrust provisions.

The UAW demands a curious combination of,

(1) Pay-as-you-go individual employer responsibility for the guarantee so "that every layoff will immediately be reflected on the corporation's books in terms of increased costs" (Experience rating!)

(2) A reserve trust fund to meet cyclical declines, and

(3) Provision for "reinsurance" to reduce the size of the required reserves and to spread the risks of abnormal unemployment over the widest possible area of the economy, possibly interindustry arrangements or a final levy on the general taxpayer. The December 6 UAW report requests "proper distribution of the risks of major fluctuations over the economy as a whole."

No doubt there is some reason for such a complicated administrative and financing approach. It opens the door for expanding costs by appearing to presume that there are 3 separate sources of funds (or, four including UC) that can be tapped. But ultimately all costs would come out of payroll contributions — unless the latter, "proper distribution of the risks of major fluctuations over the economy as

a whole," were to be financed by general taxation. This, under our tax system, would mean further levies on personal and business incomes.

Double Rules and Bureaus

The UAW demands, furthermore, that decisions of the Joint Board with respect to eligibility and disqualifications should be made independently of decisions made by state UC agencies. Thus there would be two sets of rules in determining benefit amounts, eligibility, disqualifications, etc. — an open invitation for endless bickering and dispute. Employers will have to support two sets of bureaus — one public and one private to administer the two systems.

The UAW has a low opinion of the state UC agencies :

"The state agencies are under the thumb of state legislatures which, in many cases, are almost completely under the domination of management lobbyists. It would be unwise to entrust gains won in collective bargaining to state representatives subject to intimidation directly or indirectly by agents of the corporations.

"With integration of guarantee payments and unemployment compensation benefits, and independent determinations made by the Joint Boards, employers will have a strong incentive to work for relaxation of the vicious disqualification provisions now present in some of the state laws and administrative decisions made under them. If the worker is held ineligible to receive his unemployment compensation benefit from the state on some flimsy, unreasonable basis, the employer will have to bear the full cost of the guarantee. Under those circumstances, we can expect that employers will take quite a different view from that they now hold with respect to the terms and administration of the disqualification provisions of the state laws."

To qualify for UC benefits a worker must have been in covered employment for a specified period and earned a specified amount.

Furthermore, he must :

- (a) be registered for employment
- (b) be available for work
- (c) be actively seeking work (in about half of the states)

He also must *not* have turned down "suitable work" and he must be unemployed through no fault of his own or at least he must have "good personal cause" for leaving his last employer or for his unemployment.

This guaranteed wage system (UC) has been successful and been made to work because the state legislatures have kept the benefits at a level such that a worker with family responsibility could not afford benefits if work was available.

But suppose the combined UC and the private guaranteed wage equalled full wages, or $\frac{3}{4}$ full wages as demanded by the United Steel Workers' union in negotiations with Alcoa in 1953, serious problems could arise. Re-employment after layoffs would be retarded. If full or nearly full take-home is provided what is to prevent an older worker from saying, "Don't give it to the fellow with low seniority; I'll take the benefit."

If he wanted to do so, a worker could quit his job voluntarily and even leave the labor market. A few weeks later by simply changing his mind about work, he could qualify for benefits.

Or, suppose he is laid off and collects the combined high benefit. The unions agree that he should be required to accept other "suitable" job offers, but he should not be required to look for any (demand in Alcoa case).

What is "suitable work?" The unions may claim that it means "at his trade," "near where he lives or wants to live," "near the bus line," "at his highest rate of pay," *etc.* But if he does not want to work because of the high idletime pay, he can refuse job after job on scores of grounds of unsuitability. Or, when interviewing an employer to whom he has been referred he can readily convey to him his lack of interest in working for that employer and no employer will hire an unwilling employee. So long as unemployment benefits are at moderate levels this is not a major problem. The state legislatures have clearly understood this matter and have aimed at benefit levels not over 50% of regular weekly wages and with duration not to exceed five or six months.

Under the Veterans Readjustment Act, veterans in Puerto Rico received benefits about equal to wages. From 1944 to 1950, 62% of them remained unemployed long enough to exhaust their rights under the law, as against about 10% in the United States and 2.4% in Wisconsin as shown in the accompanying table.⁸

⁸ Sometimes it is argued that a high rate of exhaustion is evidence of inadequate duration. This is not necessarily so.

Exhaustions Under Veterans Unemployment Allowances
(1944 Readjustment Act, September 1944 to December 1950, incl.) *

	Initial Claims	Exhaustions	% of Exhaustions
Puerto Rico	50,521	31,499	62.3%
New York	1,099,531	84,832	7.7%
Wisconsin	170,528	4,156	2.4%
All States	8,994,142	937,432	10.4%

* GI Bill 1944, unemployment allowances of \$20 per week up to 52 weeks.

Under the 1952 law the exhaustion figures have been 33.6%, 11.2% and 3.5% respectively.

Exhaustions Under Veterans 1952 Readjustment Act
(October 14, 1952 to October 1953, incl.)*

	First Payments	Exhaustions	% of Exhaustions
Puerto Rico	3,711	1,247	33.6%
New York	4,710	155	3.3%
Wisconsin	1,009	35	3.5%
All States	92,194	10,350	11.2%

* The Veterans Readjustment Act of 1952 provides \$26 per week up to 26 weeks. Cumulative total of first payments from October 14, 1952 (starting date) through April, 1953. Due to 26-week duration, no claimant could have exhausted his rights unless he had first payment prior to the close of April; hence the first payments as of the close of April are shown.

Abuse of UC during the reconversion period was widely discussed. Many state legislative and administrative investigations were made. New York had to open several Florida offices to check on beneficiaries. A series of articles in *The Sun* (Baltimore) on this problem won for its author Pulitzer prize.

Father Joseph M. Becker has spent years studying abuse in UC and has some things to say which are highly relevant for any employer who is considering UC supplements. He found that most popular claims of widespread chiseling, malingering and fraud were exaggerated.⁷ Unfortunately, his study sheds little or no light on the more important economic problem of the relation between benefit levels and work incentives. In some circles merely to raise this question is enough to cause some to rise in indignation with the epithet, "So you think American workers are malingerers and chiselers?" When confronted with the dubious legislative proposals in 1945 Senator Arthur Vandenberg helped to put this point in better perspective by saying,

⁷ *The Problem of Abuse in Unemployment Benefits*, Joseph M. Becker, Columbia University Press, New York, 1953. This is the first general extended study of abuses and contains much useful information.

"We are not a nation of malingerers, but we are notorious bargain hunters."

Before we endorse the idea of private guarantees supplementing UC we badly need more light (and less heat) on the relation between UC levels and work incentives. Here we are dealing with a phase of human nature and human relations that is surcharged with emotion. Under many state laws, particularly those with dependents' benefits, UC frequently approaches or exceeds 100% of wages. What has been the relation between length of unemployment and the benefit-wage ratio? What has been the experience of benefit exhaustions and (1) effective return to the labor market, (2) promptness of re-employment (a) through E. S. and (b) without aid of E. S.? Many states having no legal provision that a beneficiary must "be actively seeking employment" have found it necessary, nevertheless, to apply the law so as to make this a requirement after a time for continued benefit payments.

All these questions will become much more important if UC is supplemented by private guarantees. One does not need to lose faith in human nature to see that these will become important questions, and for the "doubting Thomases," a reading of Father Becker's book is recommended.

Before employers allocate a lot of time to make a new study of the private guarantee of wages, they should first study the workings and procedures under the state UC system.

Furthermore, 3.2 million individuals in the United States entered the labor force from one month to the next and a comparable number withdrew throughout 1952. The figures for 1953 are similar. (These figures do not include voluntary shifts between jobs, nor layoffs for lack of work.) But they do suggest that a very large number of persons, perhaps 10 to 20 million, do not want steady work, or do not find the type of work or pay to make it worth their while to remain steadily in the labor market. Now, if a high combined UC and guaranteed wage is established, many of these people may make every effort to qualify for the benefits. Having an inherently tenuous connection to the labor market, it would not require too much ingenuity on their part to rearrange their plans and actions so as to qualify, especially under the UAW insistence on covering even short-term employees.

And, if, by union agreement, full or nearly full take-home wages are paid to some workers for idle-time, how can we in good conscience bar millions of these in-and-out workers from equal or proportionate benefits if they change their minds and decide that they are in the labor market?

Some labor leaders have accused the state legislatures of undue niggardliness in UC benefit formulae. Suppose that at some future date after many employers have adopted a private wage guarantee supplement, it were found that farmers and others complained of labor shortages while many were collecting double unemployment benefits. State legislatures might consider that a mistake had been made in legalizing the simultaneous collection of UC and supplementary private guarantees. Such a condition is not hard to foresee.

State UC is Wage "Supplementation"

State UC employer contributions since 1945 have averaged under 1.50% of covered payrolls (\$3,000), and in 1952 they were 1.45%.⁸ UC benefits themselves are guaranteed wage *supplements*. If a worker's earnings fall below a certain level UC will "supplement" them. Thus the private guarantee would be *a supplement to a supplement*. A contribution of about 10¢ per hour is frequently mentioned — about 6%. Thus the new "supplement" would cost about 500% of what is to be supplemented — a rather heavy "supplement!"

By tying the private guarantee in with UC and making it a requirement that both be paid concurrently, it is made to appear that the cost of the additional guarantee is modest. Actually, the opposite could occur. In states that do not have effective experience rating and where, therefore, the employer can shift part of his UC cost to the general UC reserve fund, each employer may tend to expect that he is getting other employers to finance part of his unemployment. Thus, the supplementation of UC may place a powerful drain on UC reserves and ultimately generate pressure to raise the maximum contribution rate above the current normal maximum 2.7% of covered payrolls. This is one of the stated purposes of some union proposals. Thus, even if the private guarantee outlays were kept modest, the combined outlays may be large.

Other Plans

The idea of supplementing UC benefits by private guarantees should be examined critically. In states which have thorough-going experience rating such as Wisconsin, once the employer has built up his legal state reserve to enable him to qualify for the zero contribution rate, a guarantee wage supplement would make little sense. If

⁸ In 1952 the average UC contribution rate was about 1.07% on total wages paid and 1.45% on taxable wages.

he dips into his state reserve, he must promptly replace it. The employer, if he must enter a private wage guarantee or desires to do so, would question the wisdom of a UC supplement. Rather he might prefer simply to dig into his working capital and finance the guarantee as he sees fit out of *non-UC state funds*. Then he knows what the cost will be, and this will give him a maximum incentive to stabilize employment, keep his eye on costs, instead of being misled by dipping into several different funds — as would occur under supplementation. Friction and confusion would be minimized and the senseless duplication of administrative agencies would be avoided as would the dual standards of benefits, eligibility, etc.

Most of us would quickly accept any added security offered to us without cost; but it would be worthwhile to find out which workers and how many workers, industry by industry and plant by plant, would in a secret vote favor a supplementary guaranteed wage financed by employers at say 10¢ per hour, if the alternative were a current 10¢ per hour increase, or if they understood that such sequestration of funds would retard subsequent wage raises. The older regular employees with considerable seniority and steady jobs over the years already have about the same security as the office, salaried and executive personnel. Would they vote themselves a 10¢ per hour wage reduction?

The proposal that the employer be required to set aside, say, 10¢ an hour in a private trust fund to finance subsequent unemployment is in a sense a form of compulsory saving. It is argued that a sum of 10¢ an hour is a modest demand. An alternative would be for the union to set up its own fund in a thoroughly democratic way, collecting this modest sum from thousands of its members, instead of from one source — the employer, and then paying out the benefits when the members are laid off. In this way the union could administer the fund all by itself, would not have to consult management and would run into no legal or other conflicts with state UC.

The success of the Hormel plan is due primarily to the exemption from paying overtime under Section 7 (b) (2) of the Fair Labor Standards Act. The guarantee costs Hormel relatively little. In 1949 the Act was made slightly less rigid. But since only four or five companies operate under it, it needs modification so as to make it more practical to enter reasonable guarantee agreements and is should not be limited to unionized workers, as it is now.

Other plans such as the "loan" plan or wage advances during slack periods merit consideration. Workers' savings plans, or joint

savings plans, were tried before World War II, and some of them were helpful.

American employers have made great progress in ironing out seasonal and other short-run instability. Some could do more. If they want to formalize commitments to hire or pay employees on some continuous basis, there are many ways of doing it and many of them merit exploration. But supplementing state UC is now illegal. If it is a good idea, employers should help to remove the legal barriers. That it is a good idea has not been demonstrated, and in any case, it would lead to many administrative complications and duplications and could have material effects on work incentives.

Insecurity is something we all strive to avoid. Employers have a responsibility to do what they can to stabilize their operations and to help their employees in a sound and practical way to prepare for the rainy day.

DISCUSSION

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In the following remarks, I am not discussing whether or not guaranteed annual wage plans are a *desirable objective* of labor or management ; whether the purposes envisioned *are likely to be realized* by this device ; nor the overall effects, results, or implications of the plans in terms of labor-management relations, personnel policies, management prerogatives, etc. I am concerned only with some of the implications of the proposed relationship between guaranteed annual wages and unemployment insurance, as laid down in proposals recently discussed, for the unemployment insurance system.

In doing so, my comments do not, of course, represent the views of the Department of Labor nor of the Bureau of Employment Security. The Department has taken no official position on this subject. The last statement of the Bureau of Employment Security which dealt with these policy questions was issued in 1948 and concerned itself with questions raised by the report prepared by Mr. Latimer and his associates for the Office of War Mobilization and Reconversion.

While I had no part in the preparation of the Bureau's 1948 memorandum, I did act as the staff consultant to a Committee of State Unemployment Insurance Administrators which prepared a report this past summer, referred to later, on the relationship of guaranteed annual wages to unemployment insurance.

Current proposals would call for supplementation of the proposed employer wage guarantee by benefits payable under State unemployment insurance laws. As has been pointed out by the former speakers, this type of arrangement is being urged as having the advantage to both unions and management of permitting guaranteed annual wage plans to operate at substantially reduced costs, since the employer's liability would be offset in large part by unemployment insurance payments. Let us look first at how such wage guarantees have been treated thus far under existing laws. Unfortunately, we do not have a great deal of information on this subject, due partly to the limited coverage of guaranteed annual wage plans, the recency of many of them, and the fact that many workers so covered have been provided sufficiently regular work that they have not filed claims for unemployment insurance.

One question of interest to us in this connection is the effect of the guarantee payment in a given week upon the worker's entitlement to unemployment insurance for that same week. This resolves itself into two questions: (1) Does the receipt of a wage guarantee mean that the recipient is not unemployed during the week in question? (2) Does the guarantee payment constitute *wages* which, depending upon the amount, must be taken into account in determining whether he is entitled to benefits at all, or the amount of benefits payable?

It may be helpful to point out at this point that wages are defined in all State laws as including all remuneration for services from whatever source — such as vacation pay, dismissal pay, bonuses, commissions, and wages in lieu of notice.

As Mr. Schmidt has stated, in the States where this question has arisen, wage guarantees are regarded as wages, and recipients have not been regarded as totally unemployed for weeks when they received them. Hence, workers who have received such weekly payments in an amount equal to or in excess of weekly amounts of unemployment insurance benefits to which they have been entitled, have been declared ineligible for insurance benefits for that week. Those who received a smaller payment have received generally only the difference between that guarantee payment and their weekly benefit amount.

Provisions of State laws differ widely and only a handful contain any specific language such as "... payments for time not worked ..." or "compensation for loss of wages ... under ... fund established or paid for by the employer ..." In most of the States from which information is available, decisions have been based upon a legal construction of the terms "wages" and "week of unemployment."

I should like to cite a few examples, which will show, among other things, the variety of interpretations applicable to a single guaranteed wage plan. The Quaker Oats plan, established as early as 1934, now covers 11 of its 21 plants, and protects all full-time production employees with 6 months seniority. Under the plan, a worker who has any employment in a given month is guaranteed pay, at his standard rate, for 140 hours. If he has had no work at all, he is guaranteed 70 hours pay. The duration of the guarantee varies with length of service with a minimum of 2 months for those with from 6 months to 1 year of service to a maximum of 6 months protection for workers with at least 3 years service.

Claims for benefits under this plan have been passed upon in several States. In New York, for example, it was held that claimants were not unemployed in months in which they were paid for 140

hours under the guarantee; the other States have taken the same position. In months when the workers did no work but received guaranteed wages for 70 hours, the guarantee was construed as wages and allocated to 2 weeks of the month. The workers were held to be entitled to benefits in the 2 remaining weeks.

A similar decision in Oregon explains the rationale for this holding. The Oregon referee's decision, in part, stated:

" . . . there is no basis in law for prorating claimant's receipt of 70 hours pay over the entire month. The payment of unemployment insurance benefits is on a calendar week basis and eligibility must be considered on that basis alone. It is conceivable that many workers might earn from \$100 to \$125 during the first week of any month and then became laid off. If they file claims for unemployment benefits, benefits are not denied these workers for the balance of that month on the ground that they have earned . . . an amount equal to or greater than their total weekly benefit amounts for that month; rather they are found to be unemployed and eligible to receive unemployment benefits for the balance of that month."

A contrary decision has been made very recently, however, holding that the guarantee must be allocated to each day in the month, thus reducing the amount of the unemployment insurance benefit payable to about \$5 per week for a \$60 per week worker.

In another State this latter construction is also being followed. A third State has held that the worker is not entitled to any benefits for weeks when he receives guaranteed wage payments under this same plan.

A California decision which goes back to 1939 held that employer payments of \$50 a month to worker during months when he was not given any work were gratuities and not wages, and did not alter his unemployment status. Whether the same decision would be applied, a formal guaranteed wage plan today is not certain.

To recapitulate, despite some variation in approach, all States which have passed upon this question to date, with one exception, construe payments received under guaranteed wage plans as wages, and thus, as disqualifying income. In noting this fact, a committee of State employment security administrators pointed out earlier this year that a different situation would be presented by plans which made the guarantee payments at the end of the guarantee year, rather than

weekly or monthly. The committee also pointed out "that a different construction was conceivable if payments to the worker were made by an autonomous trust fund rather than by the employer directly."

Experience with a number of plans in the sugar refining industry making payments at the end of the guarantee year unfortunately sheds no light on this question because they have been in existence less than 2 years. In the case of at least two large plants in Philadelphia, all workers covered by the guarantee actually were given sufficiently full employment each week that they had no full week of unemployment as a basis for claiming benefits.

We have had no experience with guaranteed wage plans which employ the device of an autonomous trust fund. This type of plan was first outlined by the CIO Steelworkers Union in its 1952 hearings before the Wage Stabilization Board and was spelled out in specific collective bargaining terms, for the first time I believe, in demands recently presented to the Aluminum Corporation of America by the same union.

A few questions which are raised by this proposed relationship between guaranteed annual wages and unemployment insurance may be discussed in terms of the plan outlined in the Alcoa proposal and in the Steel negotiations last year. These call for plans limited to workers with 3 years seniority, which would pay benefits equal to 30-32 hours standard hourly pay for a maximum of 52 weeks. In order to be eligible for the guarantee, workers would be required to register weekly with the public employment service, accept suitable work, if offered, and be able and available for work. The worker would be disqualified for 21 days for refusal of suitable work, voluntary quit, or discharge for misconduct, and up to the first 7 weeks of a labor dispute. The employer's contribution would be 10 cents per manhour worked, but this might be adjusted downward if workers could be paid unemployment compensation benefits under State laws. If the worker has other employment and earnings while laid off from the guaranteeing employer, such earnings are to be offset against the guarantee. Guaranteed wage payments are to be offset against severance pay due when workers are laid off and have not been called back for 52 weeks. The employer's liability under the plan is limited to the 10 cents per hour payment mentioned above.

1. If wage guarantees are not to be construed as wages insofar as entitlement to benefits is concerned, that is, if they are not disqualifying income, should they be construed as wages for tax purposes and as a basis for building up future benefit rights?

Conversely, if they are taxable as wages, like vacation pay and wages in lieu of notice, how can they not be construed as wages for benefit entitlement purposes?

2. Despite the intent to keep unemployment insurance agencies out of the picture so far as possible, does adoption of principle of offsetting benefits against wage guarantees (with the close connection between the plan and unemployment insurance administration which necessarily follows) create problems for the union and the employer which would be avoided without this relationship, such as:

Standards for suitability of work

Applicability to the guarantee plan of unemployment insurance decisions as to disqualification for work refusal, quit, and misconduct;

Minimum and maximum standards for guaranteed annual wage plans in order that unemployment insurance benefits offset guaranteed annual wage liability;

Administrative problems, *e.g.*,

Identification of workers entitled to guaranteed annual wages for the information of the unemployment insurance local office

Cross-notification of rights to benefits

Verification by unemployment insurance agency of amount of the weekly guarantee and whether or not it is paid

Notification to employer of amount of weekly unemployment insurance payment so he may know the amount of the supplement due to the worker

Effect of outside earnings on weekly benefit amount and guaranteed annual wage amount

3. Should unemployment insurance supplementation be confined to guaranteed annual wage plans established through collective bargaining; to those on a contractual basis, though outside of collective bargaining; to those with minimum standards as to weekly benefit amount, duration, coverage?

4. If employers are concerned about the adverse effect of guaranteed annual wages on labor mobility, and on the unemployment insurance program, why do they not recommend amendment of re-

strictive disqualification provisions, such as voluntary quit not attributable to employer; or the practice by which a claimant is held to be unavailable for work if he has moved to a locality where his former type of work is not available?

5. If, as it seems, guaranteed wage plans are not likely to cover more than a few million workers at best, in the next few years, would it not be desirable to give more attention to strengthening the effectiveness of the unemployment insurance program which protects nearly 40 million workers?

PHILIP ARNOW

United States Department of Labor

I should like to comment on a few of the industrial relations aspects of the guaranteed wage problem. In doing so, of course, my remarks are entirely personal and in no way represent the views of the Department of Labor. The industrial relations aspects — perhaps the most appropriate for consideration at a meeting of this Association — have tended to be obscured by the concentration on the purported broad economic implications of these plans and on the relationship between the plans and the unemployment compensation system.

In this latter respect, there appears to be something of a circle to the history of wage guarantees. The early plans started when there was no unemployment compensation legislation. They were private substitutes for it, in fact, in most cases. Many of the plans in the pre-UI years spoke quite frankly of “unemployment benefits” rather than or in addition to the “employment guarantee” that came to characterize later plans; it was in fact impossible to distinguish guarantee plans from private unemployment compensation arrangements.

Following the introduction of unemployment insurance in the thirties, the unemployment benefits aspect tended to disappear, as did some of the plans. Those that survived the introduction of UI, and that survived the depression — some significant ones did survive — did so in large part on the basis of industrial relations considerations; to wit, that it was an achievement — and a very important achievement in the view of those who lived under them — to guarantee security even if the guarantee did not go beyond, or appreciably beyond the employment that was expected in any event. The plans were

not expected to take care of marked cyclical fluctuations. It is interesting to note that the plans which have remained in effect since the introduction of UI have tended to guarantee employment, and haven't talked about unemployment benefits. In fact, in a great many of them, the guarantee of pay if there was no employment has not been explicitly stated. It is implied, but it is an eventuality that has been soft-pedalled and often not really contemplated as more than a temporary expedient.

The emergence of the present union demands in the mass production industries harks back in some ways to the kinds and philosophies of plans that existed before UI was introduced.

But the present situation, with a vastly different climate, is one in which vastly different questions arise. Unlike the 1920's, we are in a period of government determination to maintain high employment levels, of established unemployment compensation, of strong unions broadly based in the mass production industries, of decreased willingness to accept seasonal unemployment or even mild cyclical unemployment as inevitable. In some respects, of course, the situation of the 20's persists: we are in a private enterprise economy, and management on the whole retains control over and is determined to resist union "interference" in matters of production and production scheduling.

Some of the industrial relations problems that arise in this context have no doubt been the subject of intense deliberation within the unions, within management, and among the members of the UAW's Advisory Committee on Guaranteed Wages, who perhaps have been able to get closer to the heart of the problem than the other members of this Association. Their remarks — I see at least one of them in this audience — might well furnish the most illuminating feature of this discussion. What follows is my own notion of some of the industrial relations problems that need to be explored in the guaranteed wage matters now under discussion at the collective bargaining table.

First. Most plans consciously limit employer liability, by limiting the amount of the guarantee, or by limiting eligibility, or by limiting the term of the guarantee to a year or two at a time. In the Steelworkers' proposal to Alcoa, for example, liability is limited by a predetermined contribution rate to a fund, and by making employees with less than 3 years' service ineligible. The selection of the three-year period is apparently based on the eligibility requirement for severance pay in the steel industry and is estimated to result, I understand, in about 90% coverage in Alcoa — probably a higher than

normal ratio. The UAW statements thus far have inveighed strongly against exclusions. The twofold problem is thus posed: (a) how much can the arrangement really protect the low seniority men? and (b) can a mass-production workers' union afford not to protect low-seniority men?

Second. Is the trust fund idea as appropriate from an industrial relations point of view as some consider it to be from the vantage point of finding a means of integrating wage guarantees with UI? Take the Steelworkers' proposal to Alcoa again. It is proposed that the company contribute 10 cents an hour, for each hour worked, into the fund. Presumably this — or some other amount — is the amount that can be negotiated as a company expenditure. Presumably, therefore, the amount negotiated might well have been added to the wage or compensation structure in some other form. If this is the case, it might well be asked whether the union membership will look forward to it as a nest egg, or whether it will be an increasing source of resentment. The facts of the economic situation will of course have some influence on this. But regardless of the economic situation, what will be the reaction of high- and medium-seniority workers if after ten years of the fund's existence (by which time each man has about \$2000 in it) they never get anything out of it because, as a result of their seniority, they get the amount of employment guaranteed anyhow? The situation is different than in the case of pension funds, where each worker who stays on can actually look forward to something.

Third. Is it really sound industrial relations practice to contemplate setting up a complicated grievance machinery paralleling the UI system? Mr. Booth, I hope, will deal at greater length with this problem.

Fourth. Will the plans lead us into an era of real dispute over the management prerogative question? Can this really be avoided if plans are adopted in the massproduction industries? In some quarters, of course, it is argued that a financial incentive will make management stabilize to the limit of its ability to do so, and that this will be something more than now exists. Is this a reasonable assumption? Past studies — including the BLS study, that I know the most about — suggest that employment stabilization planning precedes a guarantee, and that guarantees are not given unless the wherewithal to give them is in sight. Thus far there is little or no evidence to support the idea that a financial stake can result in significant stabilization. There have, in fact, been strong arguments made on the other side about

the dis-incentives that a guarantee brings, although the experience of the past plans does not appear to support these views either.

If there is not much to be expected in the way of induced stabilization, will union leadership, having promised more than has been delivered, be forced to seek more? Will we really face the management prerogative issue head on?

It might, parenthetically, be worth exploring the extent to which the financial incentive would operate under the Steelworkers proposal to Alcoa. Where, in fact, is the financial incentive to stabilize if management has to contribute so much to a fund for each hour worked? The incentive may in fact lie in the other direction. If fewer hours are worked, there is less contribution.

Fifth. The guarantee plans of the past were living, often highly personalized arrangements, with a great deal of informality about them, based largely on the existence of a great deal of good will. Are we now entering an era of legalism and formal relations over these matters — with management offering nothing until pressed —, and what does this mean for industrial relations, as well as for positive action toward employment stabilization?

These are a few of the questions that, it seems to me, warrant exploration by those concerned with the guaranteed wage problem, and particularly by members of this association, whose goal is the exposure of facts that will help promote long-range industrial peace.

Part V

SUBSTANTIVE PRINCIPLES AND PROCEDURES IN ARBITRATION

ARBITRATION AS AN INDUSTRIAL RELATIONS TECHNIQUE: THE BETHLEHEM EXPERIENCE

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FINAL AND BINDING ARBITRATION of all unsettled grievances is provided by about nine out of ten collective bargaining agreements today. Fifteen years ago, such a provision was a rarity rather than the general rule. The rapid growth of grievance arbitration demonstrates clearly that labor and management have found that this technique yields substantial benefits to both parties. The most obvious benefit, of course, is the peaceful settlement of troublesome disputes. This termination function of arbitration is undoubtedly the basic reason for the rapid spread of arbitration clauses. In an organization which is large enough to have a number of arbitration cases, the arbitration process tends to develop other functions which are less obvious, but which may be nearly as significant as the termination function. Moreover, the arbitration clause gives a vitality to the grievance procedure that it might otherwise lack. These facts help to explain why grievance arbitration has become a virtually indispensable technique of modern industrial relations.

This paper will analyze the uses served by arbitration in the relationship between a big company and a big union: Bethlehem Steel Company and the United Steelworkers of America. This is a harmonious relationship. Indeed, labor-management relations in Bethlehem today appear to be substantially better than in most other major companies in the steel industry. It is significant that, in both of the last two general steel strikes, it was primarily Bethlehem that led the way to the final settlement. In such a relationship we can expect to find the constructive potential of arbitration rather fully utilized. The ensuing sections will describe the setting of the arbitration system and its structure; will analyze the major functions performed by the arbitration system; and finally, the general applicability of the observations will be discussed.

I.

Bethlehem¹ is the country's second-largest steel producer, with roughly 15 per cent of the capacity of the industry. Bethlehem em-

¹ Bethlehem Steel Corporation has a number of operating subsidiaries. The chief ones in the steel industry are Bethlehem Steel Company and Bethlehem Pacific Coast Steel Corporation. Bethlehem is also the largest private operator in the shipbuilding industry. Both of the steel-producing subsidiaries have shipbuilding divisions, and one shipyard is operated by another subsidiary. The shipbuilding activities are not covered by the agreements with the Steelworkers.

employs approximately 90,000 people in its steel plants, fabricating works, and warehouses. The bulk of the employment is in the five largest basic steel plants, which vary in size from about 5,000 to about 26,000 workers. The United Steelworkers of America is one of the two or three largest unions in the United States, with a total membership in excess of a million. In most of the Bethlehem plants, a high proportion of eligible employees are union members. The parties have operated under four master agreements, negotiated in 1942, 1945, 1947, and 1952. These master agreements are fairly detailed and have been changed relatively little over the years. Unlike some multi-plant companies, Bethlehem does not have local supplements to the master agreement. There are a few local agreements in writing on specific matters, such as seniority units.

All of the master agreements have provided a five-step grievance procedure, with arbitration as the fifth step². In this procedure, the first two steps are at the shop level. The third step involves discussion between the plant industrial relations staff, the union grievance committee, and a full-time staff representative of the Union. The fourth step personnel is limited to two representatives of each party. The Union is generally represented by members of the district director's staff, or sometimes by the district director, and the two Company representatives are generally the plant industrial relations director and a representative of the central office, either the manager of industrial relations or his deputy. Step Four meetings are usually held in the home office in Bethlehem. As the fourth step provisions indicate, the central office of the Company has a more important role in this phase of the grievance procedure than in many other multi-plant enterprises. The agreements put virtually no limit on the subject matter of grievances. The Company is obligated to discuss any complaint or request, except one for a change in the provisions of the agreement. However, only those grievances which involve the application or interpretation of the agreement may be appealed to arbitration. The grievance procedure performs an effective sifting function. Between 1942 and the middle of 1952, some 25,000 formal grievances were filed, but only about a thousand had to be settled by an arbitrator's decision.

Although arbitration hearings are held at the plants involved, the central office controls the Company's presentation. The Company's

² The only change that has been made since 1942 in the provisions regarding the procedure was a purely technical revision in 1945.

chief representative in the hearings is a man who reports directly to the vice president of the corporation in charge of industrial relations. The representative is a lawyer, as are his two assistants. The Company's arbitration representatives typically undertake an independent, thorough investigation of grievances prior to the arbitration hearing, and sometimes conduct elaborate studies and make detailed statistical surveys, utilizing a great variety of Company records, in order to support the Company's position in arbitration.

The Union's case is generally presented by a district staff representative who is permanently assigned to the particular plant. He has the assistance of the local grievance committee and sometimes the shop steward involved in a particular case. In addition, during recent years, a representative of the international Union has attended arbitration hearings. His role has been limited. The locals pay the Union's share of the cost of the arbitration proceeding, and many therefore resist any direction or control by the international office. As might be expected, the quality of the Union's presentation varies considerably from plant to plant. Hearings are generally quite informal. A stenographic record is kept. The Company has always insisted on filing post-hearing briefs, and the Union reserves the right (which it seldom exercises) to comment on the Company brief.

A considerable number of individuals have served as arbitrators in the Bethlehem system. Under the 1942 and 1945 agreements, the parties used *ad hoc* arbitrators. Under the 1947 agreement, a rotating three-man panel of "permanent" arbitrators was established.³ This arrangement continued until 1952, when a single permanent arbitrator was appointed. The system was revised again in September, 1953, by the appointment of three supplementary umpires, who serve as substitutes for the regular umpire when the case load is so heavy that he cannot handle all of it expeditiously. The arbitrators have generally written rather detailed opinions, which are widely distributed by both the Company and the Union within their respective organizations.

II

The primary function of grievance arbitration is to provide final and binding decisions on grievances that the parties have been unable to settle themselves. Over the years, the Bethlehem arbitration machinery has performed this and at least three other significant functions. These can be identified as rule-making, education, and

³ The author served as a member of this panel from 1947 to 1952.

protection. It will be seen that these functions are perhaps inevitable corollaries of the disputes termination function.

1. *Disputes Termination.* No matter how carefully a collective bargaining agreement may be drawn, disputes concerning its meaning and application are well-nigh inevitable. The usual alternative to arbitration as a device for terminating such disputes is the strike. When disputes concerning the meaning and application of the agreement can be settled only by resort to economic force, it is likely to be an uncertain and loose document. Neither party can be sure of its ability to hold the other party to the precise terms agreed upon. Many aspects of the agreement are, in effect, always open for renegotiation. The result is usually some degree of instability in the labor-management relationship which may be a hindrance to the achievement of working harmony. Even if strikes are avoided, the presence of unsettled disputes may exacerbate the relations between the parties for long periods. The degree of uncertainty and stress is much less when the final resort is to the judicial process of arbitration than when economic force is the determinant.

The arbitration machinery normally is used to terminate only a small percentage of the disputes that arise, with the grievance procedure terminating most of them. Therefore arbitration is sometimes regarded as a kind of gadget tacked onto the grievance procedure. It seems more correct to consider arbitration as the source from which the grievance procedure draws much of its vitality. The main strength of the grievance procedure must necessarily derive from the desire of both parties to find workable solutions to the problems that arise in day-to-day operations. Yet the figurative presence of the arbitrator in the background has a decided tendency to discourage either side from taking unreasonable positions. Without arbitration, the important question in the grievance procedure may be, can we force the other side to accept this position? With an arbitration clause, that question becomes, will the arbitrator uphold this position under the contract? A stable, orderly procedure is more likely to grow out of the second attitude than out of the first.

Grievances may remain unsettled for two main reasons: either because of a disagreement about the facts or the meaning of the agreement, or because, even though the merits are clear, internal political considerations make it inexpedient for the party that is wrong to accept voluntarily the position of the other party. Bethlehem and the Steelworkers have, of course, arbitrated many of both

types of disputes. With regard to both types, the record of compliance with arbitration decisions is almost perfect, even though there have been some decisions with which one side or the other has been seriously dissatisfied. The Company has never refused to carry out an award in favor of the union and has never challenged one in court. The Union has never authorized a strike against an award, and I know of only one outlaw strike against an award. Each party, I think, has been fully aware of the danger that non-compliance might establish an extremely troublesome precedent.

2. *Rule-Making.* Where the parties resort to arbitration simply because they disagree concerning the facts in a particular case, the arbitrator's decision will probably be relevant to that case alone. However, a great many disputes arise in which the disagreement over facts is incidental, or the facts are agreed upon, and the major problem is the interpretation of the collective bargaining agreement. The Bethlehem agreements, like most such documents, state general principles on some points without spelling out the details; some clauses, one suspects, were left conveniently vague as a result of compromise in the collective bargaining process; and problems and situations that the parties did not anticipate have occasionally arisen. When such interpretation disputes are submitted to an arbitrator, and he has the unpleasant responsibility of giving reasons for whatever decision he reaches, some decisions will inevitably rest on principles of general applicability. The parties will know that if their arbitrator is a reasonably consistent man, future disputes of like character will probably be settled in the same way. Thus disputes termination begets rule-making.

This paper will not undertake a systematic discussion of the principles developed by arbitrators under the Bethlehem agreements.⁴ A few examples will suffice. The Bethlehem agreements have required that disciplinary suspensions or discharges be imposed only for "just cause". In many cases, the question is whether the employee is guilty as charged; in some, however, there is no question about the facts but the parties disagree on whether the conduct in question was "just cause" for a penalty. To illustrate: One employee was discharged for persistently pressing anti-religious and other opinions on his fellow employees while on the job. The Union contended that the employee's activities were merely an exercise of the

⁴ The Bureau of Labor Statistics is preparing a study of arbitrators' decisions under the Bethlehem agreements which it expects to publish in 1954.

right of free speech, but the arbitrator upheld the penalty on the ground that the employee's conduct had been so extreme as to create a "highly explosive and dangerous condition" in the shop. The circumstances that justify penalties, and the appropriateness of various penalties, have been discussed in scores of cases. Thus the phrase, "just cause", has gradually acquired detailed meaning.

The seniority clause provides another example. Since 1942, the agreement between the parties has provided that seniority shall be the governing factor in layoffs and promotions when ability and physical fitness are "relatively equal". In the early days, the Union generally took the position that if a man was able to meet the minimum requirements of a job, seniority alone should govern. The Company, on the other hand, contended that a much smaller role should be played by seniority—that ability and physical fitness were the primary factors, with seniority to be considered only when these primary factors were completely equal as between two or more employees, and that the judgment of supervisors must be accepted as conclusive on these primary factors unless there was proof of discrimination or bad faith. In deciding particular cases under this clause, the arbitrators have generally taken a middle position. They have held that unless there are "substantial" differences between employees in ability and fitness, seniority must govern. Just what "substantial" means is not easy to define in general terms, but it obviously means that the junior employee, if he is to be given preference, must be more than slightly better than the senior employee. The arbitrators have also held that the opinions of supervisors regarding ability and fitness are entitled to considerable weight, but are not conclusive if controverted by other evidence.

One further example: In one instance under the 1947 agreement, the three members of the arbitration panel held a joint hearing and issued a joint opinion concerning the interpretation of the "local practices" clause of the agreement, under which a number of cases had arisen. Partly because the subject matter was complex and partly because the opinion had to satisfy three different arbitrators, the rules that were laid down were rather general in nature. Nevertheless, they provided some guidance for the arbitrators and for the parties. Only a few new cases arose under this clause after the joint opinion was issued.

Many other illustrations could be cited. Of course, the function of rule-making under a collective bargaining agreement should ideally be performed by the parties themselves, and on a great many points

of detailed application of contract principles the parties have agreed. This is shown by the large proportion of grievances settled without resort to arbitration. Where the parties have disagreed, the arbitration machinery has provided the answer. Because the Company and the Union distribute arbitrators' decisions widely within their respective organizations, the rulings become fairly well-known on both sides. Increasingly in recent years one finds both sides referring to prior arbitration decisions in third and fourth step meetings, and there are many instances in which grievances are settled on the basis of such precedents. Thus rule-making by arbitration tends to reduce friction and save time in the grievance procedure.

3. *Education.* In the relationship between a big company and a big union, the primary responsibility for negotiation of basic agreements usually rests on the top officials of each organization, while the primary responsibility for day-to-day administration of the relationship rests on local company and union officials. A harmonious relationship achieved at top levels does not inevitably spread to the plant or departmental level. Bad relations on the local level are likely to result in problems at the top level. Even when a good relationship has been established locally, the stress and strain of daily operation is likely to produce problems occasionally in which the intervention of top officials is helpful because of their usually broader perspective. At the same time, it is often salubrious for representatives of the top level to hear about local problems from local representatives of the other party, rather than from their own subordinates. The structure of the Bethlehem arbitration system is such that it provides an orderly system of top-level participation in local problems, especially on the Company side. Thus the arbitration process has become, in some respects, a significant technique of education and communication, both within the Company and the Union as well as between the two.

As stated earlier, the Company's case in arbitration is presented by a specialized staff working out of the office of the vice-president in charge of industrial relations. This arrangement places the central office industrial relations staff in a strategic position to interpret the policies of top management to local representatives of the Company and the Union on a case-to-case basis. In the process, the central office representatives also get first-hand information concerning local problems.

The two-way education and communication function is performed in the prehearing phase of arbitration as well as at the hear-

ing itself. Since the Company's arbitration representatives generally have no part in the processing of cases in the grievance procedure prior to arbitration, they approach each case that is appealed to arbitration with a fresh mind. They undertake a thorough investigation of each case. This preparation completed, they frequently engage in informal discussions with Union representatives in an effort to obtain settlements of at least some of the cases prior to arbitration.⁵ They succeed in a remarkably high percentage of cases, and the settlements are by no means exclusively on the terms previously offered by the Company. In Bethlehem, as in most other companies, the industrial relations staff has only advisory authority *vis a vis* the operating staff. The arbitration representatives appear to be influential at the plant operating level, however, because of their detailed knowledge of top management policies, arbitrators' decisions, and the facts in the particular case. Thus the Company's position in particular cases sometimes changes as a result of the intervention of central office representatives.

The Union relies chiefly on local representatives in arbitration. However, as previously stated, in recent years a representative of the International Union has attended all hearings. He is not expected to undertake an independent investigation of each case awaiting arbitration, but he does discuss the cases with local representatives. He can thus call attention to relevant arbitration decisions, raise important questions, and present the viewpoint of the International Union on particular issues. He sometimes participates in informal discussions of cases with Company representatives prior to the arbitration hearing. The International Union representative's position within the arbitration structure is not as strong as that of his opposite numbers on the Company side, because the Union has given the primary responsibility for arbitration to the local Unions. He does have some influence, however, and his position tends to make him more interested in maintaining good relations than in winning partic-

⁵ In some locations the parties developed an informal additional step in the grievance procedure called "Step Four-and-a-half," in which, prior to the arbitration hearing, company and union arbitration representatives reviewed their complete cases as they expected to present them in arbitration. Numerous settlements were reached in this manner — indeed, in some instances the procedure disposed of the entire agenda of cases scheduled for arbitration. "Step Four-and-a-half" has now been abandoned, however, at least temporarily. The Company felt that an excessive number of weak cases were being appealed to arbitration in the hope that favorable settlements might be secured in the informal step. There are still informal discussions of some cases, and some settlements, in a few of the plants.

ular cases regardless of cost. He also serves as a direct channel of communication between local Union people and the International.

The hearing itself, as well as the pre-hearing phase of arbitration, is an important educational influence. As was previously stated, the fourth step of the Bethlehem grievance procedure is limited to two representatives of each party, and the third step is only slightly less limited. Such limitations are dropped, however, in the arbitration hearings. The hearings are attended by a considerable number of people on both sides. Usually the aggrieved employee or employees, the shop steward, the grievance committee, and some local Union officers are spectators on the Union side. On the Company side of the table, the foreman and superintendent as well as the local industrial relations staff are generally present. There is usually fairly free participation in the hearing by these people. The representative of the vice-president of the corporation and the rank-and-file employee exchange views at times, and so do the front line foreman and the International Union representative.

Perhaps the chief educational value of the hearings derives from the force of example. The Company's representatives are always well-prepared and they present the Company's case vigorously, but they are unfailingly courteous and friendly to Union representatives and to rank-and-file employees. Even when Company representatives have severely criticized the Union's conduct in particular cases, they have usually done so in such a way as to avoid arousing tempers on the Union side of the table. The Union representatives have in general reciprocated. Shouting and name-calling are almost unknown in these proceedings. The general spirit is illustrated by an incident of several years ago. In the course of a hearing, a shop steward questioned the honesty of some figures that the Company had produced. The Union's chief spokesman turned to him and said, "Look, the Company has been presenting figures in arbitration for years, and we've never once caught them off-base. If they had been using phony figures, we certainly would have caught them in it by now. I think the figures are okay." The steward dropped the question.

The Company has developed the belief that one of the valuable functions of a hearing is "catharsis". Although the Company at times takes a legalistic position in the hearing and always insists that the arbitrator adhere strictly to the contract, it does not object when Union representatives or individual employees raise problems in the hearing that are beyond the jurisdiction of the arbitrator or that are irrelevant to the particular case under consideration. Usually the

Company answers such complaints carefully, on the theory that relations will be improved thereby.

Convincing the arbitrator and winning the case is undoubtedly the primary objective of both parties in virtually all cases that go as far as a hearing. But the way that Bethlehem and the Union have gone about preparing cases and presenting them has resulted in mutual education and two-way communication.

4. Protection. Arbitration is not the only possible means of terminating unsettled grievances. A few agreements provide that the judgment of the company on certain points will be final. In some relationships the union has the determining voice. Most commonly, agreements without arbitration clause explicitly reserve to the union the right to strike to force settlement of grievances. The effect of termination devices other than arbitration on the contract and the relationship between the parties has already been discussed. Another point remains for discussion. None of the other methods of termination appears to perform the important function of protection—of the rights of company, union, and individual—to the same degree as arbitration.

Under an arbitration clause, the employee who has been disciplined, refused a promotion, paid the wrong rate, or denied some other right under the agreement can (if his union thinks he has a case) get a hearing before a person that both the company and the union regard as impartial. If the employee and his union can prove his case, he gets redress. In Bethlehem, many employees have won back pay, reinstatement, promotion, and other remedies through arbitration. At the same time, the supervisory official against whom complaints of unfair treatment are made is also protected by the process. Without arbitration, employees may develop bitterness against the supervisor and the company even if their charges are without merit. If the supervisor is upheld in arbitration, it is hard for anyone to argue that the complaints were really justified despite this outcome. Grievance arbitration extends to the workplace the idea of affording every man his day in court.

The union also derives protection for its status and rights from the arbitration machinery. When employees feel, whether rightly or wrongly, that the company can violate the agreements with impunity, the union's prestige is likely to suffer. If—as is the case with Bethlehem—the company scrupulously carries out arbitration awards as a matter of principle, this threat to the union's standing does not arise. There is another respect in which the union, or its official-

dom, derives protection from arbitration. There have been some Bethlehem cases that the Union has brought to arbitration simply because the employees or subordinate Union officers who were involved could not be convinced that they were wrong. Elected Union representatives have sometimes found that it is less disruptive for an arbitrator to overrule employees than to do so themselves.

The Company's main *quid pro quo* for an arbitration provision is usually a no-strike clause. All of the Bethlehem agreements have had such a clause. It could not have been obtained, in all likelihood, without an arbitration clause, and its enforcement would be extremely difficult in the absence of reasonably satisfactory arbitration machinery. Outlaw strikes are by no means unknown in the Bethlehem system, but the Company has found that the appeal to go back to work, file a grievance and arbitrate if necessary has been very useful against such stoppages. Union officers generally join with the Company in such appeals, or make them on their own. Some Company representatives believe that one of the chief merits of arbitration from the Company's standpoint lies in its usefulness as an antidote for stoppages.

III

The foregoing discussion is not intended to imply that the Bethlehem arbitration system is perfect, or that both parties are perfectly satisfied with it. There are some problems. For one thing, the parties have not succeeded in eliminating what many labor and management people regard as the most undesirable aspect of arbitration — namely, the arbitrator. There have been some decisions that one party or the other felt quite strongly were unfair or incorrect. In a few instances in the early days both parties agreed that a particular decision was completely unworkable and should be ignored. For another thing, the Company has at times taken positions in arbitration that seem excessively legalistic and technical. Finally, the Union presentation in some locations has been poor, and in some locations an excessive number of grievances that clearly lack merit have been allowed to come to arbitration. Despite these and a few other difficulties, on the whole the arbitration system seems to work to the general satisfaction of both parties.

In some respects, the Bethlehem experience is unusual. The Company and the Union have achieved a greater degree of working harmony than is prevalent in the industry. This has created an unusually favorable setting for the arbitration machinery. The parties appear

to have exploited the education function of arbitration to a remarkable degree. However, even after due allowance is made for these exceptional conditions, it seems reasonable to conclude that the Bethlehem experience is illustrative rather than unique.

A properly conducted arbitration system will always perform the major function of disputes termination, rule-making, education and protection. It will make the agreement a more meaningful and dependable document, and it will help to make the grievance procedure orderly and rational. The arbitration system alone obviously cannot insure harmonious relations, and abuse of the mechanism can prevent the performance of its major functions. Neither can grievance arbitration contribute to the solution of such basic collective bargaining problems as wage rates and union security, although it can prevent many day-to-day problems from developing into major issues in contract negotiations. Yet in the absence of an arbitration system, it is likely to be difficult to avoid a disturbing amount of conflict in day-to-day relations in a large enterprise. Because of its inherent functions and its effects on the labor-management relationship, grievance arbitration has become an important technique for maintaining harmonious industrial relations.

SUBSTANTIVE PRINCIPLES EMERGING FROM GRIEVANCE ARBITRATION: SOME OBSERVATIONS

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THE FIRST EXPERIMENTS in the United States with labor arbitration dealt with disputes over the formation of new contract terms,¹ where the arbitrators made a bargain for the parties, which they could not make themselves. These primitive agreements often were limited to wage increases only, and so had little room for grievance arbitration.² As collective bargaining arrangements became more complicated, bargain arbitration flowered into grievance arbitration, where the arbitrators interpreted and applied the contract terms to settle differences over the rights, duties, powers, and liabilities of parties already under contract. With the probable exception of the transit industry where arbitration over new contract terms is a marked feature,³ grievance arbitration is, today, the dominant form of voluntary labor arbitration in unionized industry.⁴

In order to use a simple phrase to describe the arbitration of issues relating to the formation of new terms of a contract, I propose the term "bargain arbitration." The word "bargain" already has a clear meaning in labor relations and it is immediately distinguishable from the word "grievance" which also has a clear meaning in labor relations. In this paper the discussion deals with grievance arbitration and not with bargain arbitration.

The subject matter of grievance arbitration is the labor contract which characteristically does not mark the end of all labor disputes. Sometimes the contract even seems to foster prolific dissension, as if to imply that labor agreements brew their own brand of disagreements. Such troubles proliferating from the unforeseen minor and major crises of industrial relations, often bespatter the most adroitly drawn contracts. Most contracts, now, have machinery for meeting complaints, which would be decided by arbitration awards.

The institution of grievance arbitration has two major forms for deciding issues. Under the "permanent" system the arbitrator oper-

¹ Edwin E. Witte, *Historical Survey of Labor Arbitration* (Phila: Wharton School of Finance, 1952), p. 48.

² *Id.*

³ Alfred Kuhn, *Arbitration in Transit* (Phila: Wharton School of Finance, 1952), p. v.

⁴ *Monthly Labor Review*, March, 1953, p. 261.

ates for the duration of the contract. Under the *ad hoc* system, the arbitrator functions for the duration of the case. However, the turnover of arbitrators, in practice, is reputedly high, notwithstanding their professional quality and quantity of output.

This uncertain feature of arbitrators' tenure has not shaken their belief, apparent since the infancy of their profession, that an arbitrator's awards are affected with the public interest. So through the years, awards have been published, and now have obtained extensive circulation. From the published awards, it is evident that standards have been turned by the lathe of arbitration for a wide range of problems. A representative sample of the broad spectrum of issues is the experience at the New York State Board of Mediation, which engages mainly in "ad hoc" arbitration.⁵ While the discharge cases loom largest among issues, there are clusters of cases over seniority on promotion, transfer, lay-off and recall, the meaning of vacation and holiday clauses, job-rate adjustments, welfare fund contributions, and employer petitions for relief from hardship.⁶

Highlights on the surface of the arbitrators' decisions show the rich play and interplay of the many concepts which emerge, submerge, and diverge. Some concepts in this evolution of industrial doctrine seem to have sturdy genes and demonstrate a capacity for survival beyond the parental facts of the case.

The main argument of the present paper is that generalizations have emerged from the experience with the arbitration of grievances and that these generalizations have flexible application. For purposes of illustrating their adaptability the paper will deal with two significant groups of generalizations, which typify the arbitration of grievances born in deadlock under a contract.

One group of generalizations comes under the heading of The Right of Management to Discipline. The other group comes under the heading of The Employee's Right to a Job. The headings themselves are broad generalizations of ideas which wittingly or unwittingly have been repeatedly applied by unions and management in their attempts to define their rights.

⁵ A staff member will sometimes be named as the Chairman in a contract. The typical clause names the "Board of Mediation" as the appointing agent. See Arthur Stark, "Operations of the New York State Board of Mediation," *Industrial and Labor Relations Review*, July, 1952, p. 579.

⁶ See the Annual Reports of the New York State Board of Mediation. For a lucid summary of the recent characteristics of arbitration cases which the Board handles, see Robert Tilove and Julius Bisom "*Mediation and Arbitration Under the New York State Board of Mediation in 1947*," Division of Research and Statistics. (New York: New York State Dept. of Labor, 1948).

These correlative rights of managerial discipline and job tenure are the major elements of industrial discipline, occupying a central theme in the drama of labor arbitration.

In this drama, the arbitration stage is dominated by the two roles of managerial discipline and job tenure. An interested spectator could see how one grows stronger and moves toward stage center, while the other gets weaker and retreats toward the wings. Stated more concretely, while the prerogative of management to discipline has been widely acknowledged by arbitrators, the arbitrators have also limited this right by imposing the restraints of reasonableness and discretion. Such restrictions weaken the managerial right to punish and strengthen the employee's right to a job.

The employee's right to a job is dependent upon his competence and his behavior. If the employee is incompetent or insubordinate, he risks discharge. Each limitation on the employee's right to a job, qualifies or nullifies the generalization of his rights, and strengthens the opposing generalization of the managerial right to discipline.

The same pattern of generalization and qualification operates in the area of rules. The employee must obey the rules, but the rules must be reasonable, clear, and known. The company may then punish, but punishment may not be discriminatory, or inconsistent. These examples portray the constant conflict of principle with principle, and standard with standard. Experience should suggest that the teeth of a particular case will wear down any major generalization into qualifications, variations, deviations, and exceptions.

The essence of arbitration is that the generalizations are flexible because they must be adapted to shifting circumstances. Ever changing scenery in industrial relations is a direct response to the freedom of the parties. They may at any time jointly change their contracts, they may change their views, they may change their representatives, and they have been known to change their arbitrators. Each of these alterations will produce new generalizations. That is as true today, as it was yesterday.

When labor arbitration achieved its initial successes in the sweat shop industries after the turn of the century, some eminent jurists and scholars discerned a new body of law in gestation.⁷ The likelihood of emerging principle intrigued them. John H. Wigmore, for example, advised that "lawyers should awaken to this coming enlargement of the field of systematic justice . . . the significant thing is that general

⁷ Witte, *op. cit.*, p. 37.

principles are beginning to be formulated. And the moment you have general principles, used for deciding particular cases, you have justice in the form of law, as distinguished from the arbitrary justice of a Turkish Caliph, or from private struggle decided by private force."⁸

Hope for rational behavior was not confined to scholars. Indeed, the very participants in one market, in the New York garment industry, believed that they were on the threshold of an industrial Nirvana, a painless paradise, and they commemorated their agreement by romantically calling it the "Protocol of Peace."⁹ It was to last forever as a permanent peace treaty,¹⁰ but proved to be neither peaceful¹¹ nor permanent.¹²

The reef which ended the cruise was the right of "hiring and firing."¹³ The Union acknowledged management's right to discharge, but challenged its abuse.¹⁴ Thus, the generalization was immediately qualified, but the industry was not yet ready for the rule of reason. A glance at the ordeals under an early industrial code, shows how the contending forces literally fought for their principles.

Disenchantment with the Protocol of Peace of 1910 began quite early, as complaints, by disgruntled employees and outraged employers, soared. In a two and a half year period, there were 7656 charges.¹⁵ Ninety percent were brought by employees, who in three-quarters of the grievances, complained about wages, discrimination, and "unjustifiable discharge."¹⁶ The other ten percent of the charges were filed by employers fulminating against shop strikes and interference with "the discipline and conduct of the shop."¹⁷

The fomenting turbulence converged in a crucial case before the Board of Arbitration as provided under the Protocol. At the hearing, the contenders defined their positions in the battle over industrial discipline.¹⁸

⁸ John H. Wigmore, 10 *Illinois Law Review*, 592-595 (1915) at pages 593-595.

⁹ Louis Levine, *The Women's Garment Workers* (New York: Huebsch, 1924), p. 194.

¹⁰ *Ibid.*, p. 196.

¹¹ *Ibid.*, p. 238.

¹² *Ibid.*, p. 310.

¹³ *Ibid.*, p. 290.

¹⁴ *Ibid.*, p. 282.

¹⁵ *Ibid.*, p. 238.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Ibid.*, pp. 282-83. The situation came to a head (see p. 281) when an employer failed to rehire several of his laid-off employees, charged them with being in collusion with an ex-foreman, who was setting up a competitive business, and was planning to "steal" the employer's styles.

Each worker, the union argued, has "a certain claim to his job." The employer has "unrestricted liberty to select, at the beginning, from among members of the union such as appear to him best, and to subject them to a certain test or trial of reasonable duration and nature." After surviving this test or trial of the employer who retains the worker as a regular employee, he has a right to "continue in employment" unless he proved to be "incompetent, disobedient, or unfit for any other reason." As a necessary corollary to this "principle", where there was not enough work for all the employees in the shop, there should be "an equitable distribution of work." The employer has the right, the union conceded, to reorganize, increase, or decrease his business, provided this was done in good faith, and not for discrimination. In sum, the "right to the job" places a limit on the employer's right to discharge. Contract of the parties, custom of the trade, and experience in general establish these rights.¹⁹

The employers denied the conclusions of these contentions, and vigorously asserted that the Protocol did not impair the employer's right to discharge.²⁰ Confronted with the impasse, the Board of Arbitration bent to the task, and composed a philosophy.

What was the source of the Board's inspiration and where did the early arbitrators derive their ideas? When they began, they did not have the crutch of printed decisions to support them. What obviously happened was that they summarized the experience of the parties, as revealed by their contract, their customs, and common experience. The arbitrators put into sentences the essence of what they saw and heard. These principles which they set forth were revealed. That is, the arbitrators disclosed and described the patterns of the behavior which the parties themselves had found to be rational. Like surgeons, the arbitrators helped to expose the existence of these patterns by uncovering the layers of personal passions, distortions, discrimination, and other instances of irrationality which often confounded a particular case.

In the instant case, to plug the holes in the leaking Protocol, the arbitrators pointed toward certain principles, based on the spirit and contract of the parties.

"Industrial Democracy" and a "spirit of fairness" said the Arbitration Board, are the basic principles under the Protocol which should pervade the industry. These principles lead to the conclusion

¹⁹ *Ibid.*, p. 282.

²⁰ *Id.*

that no regular employee may be discharged "unfairly, or without reasonable grounds," and that equal division of work is "desirable and necessary." An aim of the Protocol, the Board revealed, is to

assist the individual worker in obtaining such security and continuity in his employment, such equity in the distribution of work and such fairness of general treatment and of conditions as may be possible and practicable, having regard to the unavoidable fluctuations, and exigencies of the work and the imperfections and limitations of ordinary human nature.²¹

With sights raised to the future, the Board apparently took aim with idealistic buckshot. Idealism without clarity leads to division in industrial relations, as in social theory. Dissension over the imprecise standards deepened the cleavage between the trail-blazers and the conservatives who opposed the attempt to make their industry an "experimental station for society in general."²²

A further refinement, however, of the limitations of the employer's right to "hire and fire", preceded the extinction of the Protocol, and influenced later contract negotiations.²³ Appointed to stave off a strike, an *ad hoc* Council of Conciliation recommended a set of standards. Based on the need to reconcile "the principle of industrial efficiency with that of human rights," the employer, said the Council, should be "free and unhampered in the performance of the administrative functions which belong to him." This freedom includes the freedom to hire employees, and to discharge "the incompetent, the insubordinate, the inefficient, those unsuited to the shop, or those unfaithful to their obligations."²⁴

After thus spelling out the elements of the employers' freedom to discharge, the Board of Arbitration turned to related questions, created by the peculiar conditions and particular facts of the Needle Trades. Seasonal fluctuations, for example, brought misery to employers and employees alike. Each group needed help, and the Board had to adapt and qualify earlier generalizations.

The employer, of course, has the freedom to reorganize the shop, said the Board of Arbitration.²⁵ While it is the "dictate of common-

²¹ *Ibid.*, p. 283.

²² *Ibid.*, p. 284.

²³ *Ibid.*, p. 291.

²⁴ *Ibid.*, p. 290.

²⁵ *Id.*

sense, as well as common humanity, in the slack season to distribute work as far as possible equally among wage earners of the same level and character of skill," this practice does not bestow "permanent tenure of employment either in a given shop or in the industry as a whole." The principle of the right to a job is thus stretched to fit the stubborn facts of industrial life. Slack season transforms the right into a privilege, and the entire job decomposes into fractions of a job.

There are principles of behavior, however, which the employer need observe toward his staff. Workers are to be "safeguarded against oppressive exercise by the employer of his functions in connection with discharge and in all other dealings" with his employees.²⁶ Further refinements of the New York Garment Industry standards were to come later.

Meanwhile, the roots of principles were also growing elsewhere. The experiment with arbitration in New York had its parallel in Chicago with matching sentiments. Professor Howard, the director of the firm's labor department, wrote that

In the five year experience with Hart, Schaffner & Marx arrangement, most of the fundamental issues which arise in the employer-employee relations have been met and adjudicated. These typical cases have revealed principles which may some day help to form an established code of governing rules for industry and supplanting the present method of competitive bargaining and conflicts settled by economic strength.²⁷

One of the new principles in Chicago already noted in New York, for example, is the opportunity to work giving "the worker a right to his job which can be defeated only by his own misconduct."²⁸ To minimize layoff, the practice would be that "in the slack season whatever work there is shall be divided equally among all as far as practicable."²⁹ To safeguard the employees' right to a job, "in cases of discharge the burden of proof is upon the employer to show that such discharge is necessary for the welfare of the organization."³⁰ To temper the employer's right to discipline, "any disciplinary penalty must be corrective and no more severe than is necessary to accomplish

²⁶ *Ibid.*, p. 291.

²⁷ Earl Dean Howard, "The Development of Government in Industry," 10 Illinois Law Review, 567-73 (1915), p. 569.

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.*

the best results for all concerned."³¹ Former crude generalizations have here received refined qualifications. Equal work division turns on what is "practicable." Discipline must be corrective, not punitive, and discharge depends on the elastic qualification of shop welfare, while the employer bears the burden of proof. The arbitrators have also discovered that standards should be clear and consistent. In concluding this list of principles, Professor Howard implies that consistency and clarity would foster stability because "lack of standards is probably the chief cause of disorder and conflicts, especially in the needle industries."³²

Another observer of the Chicago system, Malcolm P. Sharp, noted that:

the great majority of the cases which arise in the factories are cases involving routine matters of discipline . . . penalties comprise fines, suspensions, the disallowance of back pay between the time suspended and the time reinstated, transfers, loss of lay-off credit, and extra lay-offs at dull times. Sufficient grounds for discharge are: poor work, disobedience, taking part in a stoppage, cheating, absence without excuse, and violent conduct or language.³³

From the foregoing glance at the New York and Chicago garment experience with grievance arbitration, we detect the burgeoning elements, almost 40 years ago, of a system of industrial ethics.

The principles were broad pronouncements intended to quell strife. An oft-expressed belief was that fang and claw would yield to an industrial code.³⁴ The charted development, however, was not yet geared to the track of history.

Even in the clothing industry, arbitration had shed much of its formal attire before the end of the twenties.³⁵ The arbitrators regarded their work by then as the search for workable solutions for current troubles rather than the pronouncement of principles to control future relations.

To this day, (according to Witte) under many of the agreements in the clothing industries, the impartial chairman pre-

³¹ *Ibid.*, p. 570.

³² *Ibid.*, p. 571.

³³ Malcolm P. Sharp, "Due Process of Law," *Industrial Government*, ed. John R. Commons, (New York: The Macmillan Co., 1921), pp. 193-234, at p. 206.

³⁴ Witte, *op. cit.*, p. 37. Witte briefly notes the early views.

³⁵ *Ibid.*, p. 38.

sides at bargaining sessions and is consulted over contract terms. But in these industries, as in all others, it is regarded as the function of parties, rather than the arbitrators, to determine the basic principles which are to govern the labor relationship.⁸⁶

In recent years with the spread of grievance arbitration and the extensive publication of awards, the interest of lawyers, scholars and others in the labor relations business, has achieved a renaissance.

To lead the uninitiated onto virtuous paths, several horn-books have appeared for The Compleat Arbitrator. The primers suggest the emergence of substantive principles which, with numerous qualifications, the authors imply may have the force of precedent.

Obviously, inspection of the several studies of the umpire systems would not frustrate one's expectations in finding frequently emerging principles serving as criteria for behavior to come. There are still other studies analyzing awards of temporary arbitrators appointed for specific cases. These essays reveal patterns of reasoning and elements of principle in the *ad hoc* islands which match the flora and fauna of the mainland. A rapid acculturation seems to be in process, as if *ad hoc* arbitrators borrow from the impartial chairman,⁸⁷ or vice versa.

The apparent similarity of views between *ad hoc* arbitrators and impartial chairmen need not mean that each is influenced by the other. It may simply mean that both respect contracts, and both will fire for insubordination. These are ideas which management and labor have experienced for themselves and not had handed down by ancient arbitrators as decrees to which parties must conform.

The analytic material so far available suggests at least three basic approaches to the treatment of disputes which flourish under contracts:

- a) The judicial approach which regards the product of arbitration as elements of precedent;
- b) The pragmatic approach which treats the material as guides for reference; and
- c) The sociological approach which considers the data as clues for prevention.

⁸⁶ *Id.*

⁸⁷ See Carl Arnold Hanson, "The Arbitration of Grievances: An Investigation to Determine the Presence of Settlement Patterns in Disputes over Conditions of Work" (Unpublished Ph. D. dissertation, Graduate School, Cornell U, 1948), p. 325.

There are several interesting studies which may serve as illustrations.

A comprehensive attempt to arrange the fast-forming material in some related manner was made by Arnold Hanson in his doctoral dissertation at Cornell on the arbitration of grievances.³⁸ In the preface, he expressed the hope that "this study may assist in outlining the beginning of a system of industrial jurisprudence."³⁹ Examining about 1200 awards limited to working conditions⁴⁰ in a five-year period from 1942 to 1947 he hunted for visible patterns of settlement. There were three major areas under which the investigation proceeded. The first covers job protection, discussing the nature of seniority, its measurement and application. The problems of lay-off and recall receive treatment in terms of the conditions which may permit layoff and the proper safeguards for the process of lay-off and recall. The second part of the Hanson dissertation considers job movement, involving promotions, demotions, and transfers. The concluding section on the control of personnel, scrutinizes the discipline process. This portion is the bulk of the study.

Myron Gollub analyzed the awards in discharge cases which came before the New York State Board of Mediation in the 10-year period from 1937 through 1946.⁴¹ The study sets forth in an orderly array principles which may sound familiar to disputants and arbitrators alike. The foreword declares that the study "is not intended to emphasize precedent but rather to offer relevant experience,"⁴² and the reader is warned that use of the study to argue a precedent is "only at his own peril."⁴³

Arthur Pankow has also made a study of the discharge cases from 1943 through 1945 which were handled by the New York State Board of Mediation.⁴⁴ His approach is that of a sociologist who looks at the cases as conflict situations which may be a source for suggestions to employers and unions for avoiding future difficulties. The outcome of the case is less important to Pankow than its beginning.

Robert H. Skilton recently analyzed published awards related to industrial discipline.⁴⁵ Skilton discovers no simple answer for what

³⁸ *Ibid.*

³⁹ *Ibid.*, p. v.

⁴⁰ Wage and hour issues are omitted.

⁴¹ Myron Gollub, *Discharge for Cause*, (New York: N.Y. State Dept. of Labor, Div. of Research and Statistics, 1948).

⁴² *Ibid.*, p. v.

⁴³ *Ibid.*, p. vii

⁴⁴ Arthur E. Pankow, "Awards in Union-Employer Arbitration Under the New York State Board of Mediation," (Unpublished Master's thesis, Dept. of Sociology, Northwestern University, 1946.)

⁴⁵ Robert H. Skilton, *Industrial Discipline and the Arbitration Process* (Phila.: Wharton School of Finance, 1952.)

is "just cause".⁴⁶ In their attitude toward "just cause", Skilton finds that arbitrators vary exceedingly.⁴⁷ He notes two approaches:⁴⁸ the management prerogative approach which sustains management's penalty if cause is found and the industrial relations approach which "calls for inquiry into the causes" and seeks a solution.⁴⁹ The "industrial relations" and "sociological" approaches, here, appear to be siblings.

In each of the studies, the writers employ the word "principle", with varying force to describe certain generalizations. The generalizations dealing with industrial discipline fall into three broad categories:⁵⁰

- I. The causes leading to discipline.
- II. The standards for imposing penalties.
- III The responsibilities of the parties.

The issues under "just cause" relate to inefficiency or misbehavior. Arbitrators have sustained various penalties for improper work performance created by technical or physical incompetence, or caused by negligence. Similarly, insubordination, unofficial absence, and dishonesty have led to discharge or lesser penalties. General breaches of decorum have received disciplinary treatment in varying degree, ranging from discharge and demotion to suspension and fine. Examples of such misconduct are union activity on company time, "wildcat" strikes, fighting, abusive language, intoxication, breaking rules, loafing, gambling, and personal friction. Obviously, a complete list would require considerable dimension.

The generalizations embracing standards for penalties impose certain responsibilities on management. Orders, rules,⁵¹ and administrative standards, for example, must be clear, reasonable, and known. Warning of consequences must precede penalty. Enforcement of a policy must be fair, reasonable and consistent.

Reciprocal responsibilities for employees flow from the generalizations about just cause and the restraints on managerial preroga-

⁴⁶ *Ibid.*, pp. 22-23.

⁴⁷ *Ibid.*, p. 18.

⁴⁸ *Ibid.*, pp. 18-19.

⁴⁹ *Ibid.*, p. 19.

⁵⁰ For a similar analysis see "Arbitration of Labor-Management Grievances: Bethlehem Steel Corporation", (Unpublished study, Bureau of Labor Statistics, U.S. Dept. of Labor, 1952,) Part B. (Mimeographed.)

⁵¹ Skilton suggests that "from a gleaning of arbitration reports, one may derive asserted principles of good practice with regard to company rules . . . but it would be foolish to claim that one could prepare a reliable handbook of good practice in company rules from a reading of arbitration reports." Skilton, *op. cit.*, p. 40.

tives. The obvious and paramount duty of the employee is to perform fairly for fair pay. A more subtle responsibility is to use the grievance procedure, instead of engaging in self-help activities.

The foregoing types of generalizations represent a collection of experience under varying conditions. A detailed outline of the numerous substantive principles which have appeared in the literature of arbitration would display the tortuous life that some of these live. For every generalization seems to have a qualification, every principle an exception, every standard a deviation, and every precedent a variation. Substantive principles emerging from grievance arbitration, thus, are like a microfilm of the changing patterns of industrial life.

While the word used is "principle", we see that the application is flexible. Principle, in this sense, is an available guidepost. It is an approach to a solution, not a destination. The term "principle", however, is abused when it is employed as a synonym for binding precedent, as if the doctrine of *stare decisis* applied to voluntary arbitration.⁵² Emphasis of arbitration by precedent suggest an encroaching legalism which, like a thrombus, may clot the fluidity of grievance arbitration.

The trappings of a creeping legalism are in evidence.⁵³ A recent anthology of arbitration awards comes gift-wrapped by a publisher of legal tomes, looking as formidable as a casebook on Criminal Procedure. Surely, the authors themselves must have been aghast at the format, for they carefully disclaim any force of precedent for the selected awards. Cases, nonetheless, chosen from the many awards in print, are increasingly cited by the parties and certain arbitrators.⁵⁴ Several national services are reporting quantities of awards in the manner of court decisions, seductively tempting the arbitrator who is not a lawyer, to act like a lawyer, and the arbitrator who is a lawyer to act like a judge in search of precedent.⁵⁵

⁵² For a brief discussion minimizing the role of precedent in arbitration, see Skilton, *op. cit.*, pp. 4-8. See also, Isadore Katz, "Challengeable Trends in Labor Arbitration," *Arbitration Journal*, vol. 7, No. 1 (1952), p. 18.

⁵³ See Katz, *op. cit.*, pp. 15-18.

⁵⁴ "Case Law on 'Free Decision' in Grievance Arbitration," 62 *Harvard Law Review* 118 (1948.) In a recent (unpublished) arbitration case on a minor vacation issue affecting three employees, both sides filed sixty pages of post-hearing briefs, and cited forty-nine references. See Laboratory Furniture Co. Inc. and Furniture Workers Union, Local 76B, Case AR-8164, (December, 1953), New York State Board of Mediation.

⁵⁵ For a brief discussion of the place of precedent in arbitration, see William H. McPherson, "Should Labor Arbitration Play Follow-The-Leader?", *Arb. Jnl.*, Vol. 4, No. 3, (1949). Excerpts reflecting different points of view among the arbitrators appear in: Milton Handler and Paul R. Hays, *Cases and Materials on Labor Law*, (St. Paul: West Publishing Co., 1950), pp. 352-356.

A diligent arbitrator might have once turned to the "Code of Ethics for Arbitrators," and found a sentence in the paragraph labeled "Precedent", reading thus: "The arbitrator is not bound to follow precedents in determining the merits of the matter submitted to him, but follows his own judgment."⁵⁶ The new code, however, is marred by a significant omission.⁵⁷ There is no reference whatever in the revised code to this former standard encouraging the arbitrator to pursue his independent judgment. Could this unhappy omission be a casualty of an encroaching legalism? Yet the courts have assured arbitrators that they "are not confined to the testimony of witnesses or matters appearing of record, but may avail themselves of their own knowledge and information."⁵⁸ The courts in this respect are more mellow than some of the practitioners who perforated the code.⁵⁹

When parties choose an arbitrator to settle an issue they obviously depend on his skill, experience, and integrity to fashion his own award. He is not a middleman transmitting another's views. Where the arbitrator accepts principles as precedent in place of proof, he is abdicating his function, and yielding to absentee arbitration.

Principles are summaries of experience and may be useful guides if sensibly applied. In the development of labor arbitration where outsiders interpret language of an agreement, judge the abuse of managerial discretion or union responsibility, inevitably discernible tendencies emerge, standards of behavior form, bench marks for the exercise of discretion appear, and guides for judgment evolve.

These formulations of experience, however, are not immutable laws like gravity. They are more like clouds which look solid only at a distance. Such principles should be distinguished from precedents. When these essences are cited as binding authority, a thoughtful arbitrator must use careful judgement, and recognize when these principles are homeless waifs torn from their environment. Such citations out of context may ill fit the peculiar facts of the case before the arbitrator.

⁵⁶ *Code of Ethics for Arbitrators: Some Basic Principles of Right Conduct.* (New York: American Arbitration Association, 1946), p. 9.

⁵⁷ *Code of Ethics and Procedural Standards for Labor-Management Arbitration* (New York: American Arbitration Association, 1951.)

⁵⁸ See *Corpus Juris Secundum*, Vol. 6, par. 64a, pp. 203-204, and citations.

⁵⁹ See, however, *Standards for Commercial Arbitration*, American Arbitration Association, (New York: 1950), p. 6, — the new code for commercial arbitration — which emphatically declares that "the arbitrator is not required to follow, nor need he consult the decisions made by other arbitrators. He is entitled to exercise his independent judgment in arriving at a decision."

These principles do serve valuable purposes where they indicate bounds within which the arbitrator's judgment may play, to add to or qualify broad patterns of experience in a changing situation. Where the contending parties or their attorneys stud their arguments or embellish their briefs with clashing authorities or conflicting principles they are in a sense offering the arbitrator building blocks out of which he may construct his own edifice. As the architect, his design will obviously depend upon the materials with which he has to work. The foundation, in any event, would be the facts of the case.

DISCUSSION

JAMES C. PHELPS

Bethlehem Steel Company

The excellent papers that have been presented by Charles Killingsworth and Julius Manson suggest far too many interesting avenues of discussion for the brief time that is allotted by the program. Since Dr. Killingsworth's paper draws its subject from my own back yard, I shall confine my remarks principally to his presentation.

It is indeed gratifying to hear Dr. Killingsworth's appraisal of Bethlehem's arbitration procedure. Dr. Killingsworth's exceptionally long tenure as an impartial umpire in Bethlehem's arbitration procedure not only qualifies him to speak with authority on his subject but it shows the high regard in which he is held by both of the parties.

I agree with Dr. Killingsworth that the Bethlehem arbitration system is far from perfect. Significantly, he mentions first among the problems remaining to be solved "the elimination of the most undesirable aspect of arbitration — namely, the arbitrator." I hope that the reference was not entirely facetious. Although arbitration without arbitrators is not what we have in mind, Dr. Killingsworth's remark suggests a more basic idea; that is, that the various useful functions which arbitration can render are made possible only when the arbitrator thoroughly understands and conscientiously discharges his own duties in the proceeding.

Let us look first at the function of disputes termination. Ideally, perhaps, parties to a mature collective bargaining relationship should be capable of terminating their own disputes without calling on the services of a third person to do it for them. Where that ideal condition cannot be achieved, a properly functioning arbitration procedure can help to bring the parties closer to that goal. To the extent that the authority of the arbitrator and the standards which he is to administer are fully understood and scrupulously observed by the arbitrator, his decisions on many issues are predictable. Resort to arbitration on cases of that sort becomes pointless and the parties are encouraged to find their own solutions and to dispense with the arbitrator.

We have had experiences of a different kind. It sometimes happens that an arbitrator, whom the parties believe has been given enough facts to decide only a specific grievance, views the situation with Olympian detachment and is inspired to perfect the parties' entire collective bargaining relationship, or, at least, a significant area

of it. I can recall two decisions that I received several years ago in which the arbitrator said that the Company's position under the contract was correct but that, under the circumstances, it was improper for the Company to rely on the contract; and he decided against the Company. Where the arbitrator strays from his orbit, arbitration takes on the characteristics of a lottery. Cases are presented in a gambling spirit. Far from contributing to disputes termination, the process creates disputes. The arbitrator himself, his conception of his function and his exercise of it are often the key to the success of arbitration as a medium of disputes termination.

Dr. Killingsworth's remarks about arbitration as performing an educational service are particularly interesting to me, and I should like to comment upon certain aspects of that function. All too often arbitration hearings are merely occasions upon which representatives of the parties present their cases to arbitrators for decision. Where that is invariably done, many excellent opportunities to settle issues by agreement are lost.

Where the case is one that can or should be settled, the arbitration hearing often affords an exceptionally favorable climate for reaching agreement. Unlike meetings in the lower steps of the grievance procedure, the arbitration hearing is the last chance to dispose of a problem before the arbitrator issues what may become a thorny precedent that will long endure. At the arbitration hearing, the parties are facing the risk of losing whatever concessions may already have been offered by way of settlement. Above all, the arbitration hearing brings around the same table all or most of the interested parties. There they make a full presentation of facts designed to enable the arbitrator who, almost by definition, wholly lacks the parties' own intimate knowledge of the circumstances, to make a decision. Before the arbitrator facts may be distinguished from assertions. Things that one or both of the parties may have assumed to be true sometimes become doubtful or incapable of proof. Assumptions may prove to be unfounded. Thus, issues that may have been regarded as thoroughly considered sometimes appear in a new light at the arbitration hearings and encourage settlements.

Agreeing as I do with Dr. Killingsworth that the elimination of the arbitrator is desirable, we miss that aim when we settle cases during the arbitration hearing because the arbitrator is already there. However, where the parties can use the arbitrator as a catalyst whose presence brings them together, they are at least able to dispense with his most dangerous act — the rendition of a decision.

Even in the large majority of cases brought to arbitration, where no settlement is possible short of an arbitrator's decision, the arbitration hearing holds out another opportunity for communication on which Dr. Killingsworth has touched. It has become axiomatic that a significant difference between labor arbitration and other litigation is that the parties to labor arbitration are bound together in a continuing relationship. Of course, an arbitration proceeding should not be conducted in such a manner as to cause a deterioration of the employer-employee relationship. However, thought should be given to whether the arbitration hearing can contribute to improving that relationship. Time permits only one rather obvious example of what I have in mind. It is assumed, of course, that when a case is presented to an arbitrator it is because the parties have given up hope of convincing each other of their respective positions. However, if a Company's presentation to the arbitrator can be made in such terms as to convince the other side that it is, at least, honestly and reasonably conceived and honestly and fairly presented I believe that a real contribution to the employer-employee relationship can sometimes be made.

The rule-making function of arbitration is, in my opinion, one of its less important aspects. That is not to say that we have not arbitrated many cases where the decisions have laid down important rules of far-reaching significance. However, it seems to me that the large majority of the cases with which I have been concerned have involved disputes over the application of agreement standards to specific states of fact. Decisions of those cases could not have had rule-making effect, yet the termination of those disputes was accomplished by arbitration.

To my mind, perhaps the most important function of grievance arbitration from the employer's point of view is the prevention of outlaw strikes. I believe Dr. Killingsworth tends to under-rate that role of arbitration. Means other than arbitration can be found to do certain of the things which he finds are done by the arbitration process. I understand that other collective bargaining relationships where grievance arbitration does not exist often have excellent records for terminating disputes and making their own rules. Other channels for education and communication exist. However, where a group of angry employees feel that justified demands are being refused and frustrated, the knowledge that their grievances can be presented to, and considered by, an impartial third person whose decision the Company may be compelled to obey may go far toward keeping those employees on the job or inducing them to return to work after walk-

ing out. That is a function for which I believe it would be difficult to find any substitute as efficient as a grievance procedure with arbitration as the terminal step.

BEN FISCHER

United Steelworkers of America, CIO

Arbitration cannot be governed by a formula; proper methods of arbitration cannot be set forth in a text book. Successful arbitration depends on the ability of the arbitrator himself and no amount of discussion or development of guides or principles can equip a person to arbitrate effectively.

In all fields there is a growing trend toward developing manuals and guides designed to make it possible for incompetent people to assume responsibilities requiring competence. This does not succeed; in fact, one of the striking differences between Bethlehem Steel and certain other steel companies is the reliance on able well-paid leadership by Bethlehem and reliance on manuals and central direction in other steel companies. The Bethlehem system may not look as good to the intellectual mind, but it works better, is more adaptable and gets better results in terms of steel production and company profits — the real goals of Management.

An arbitrator cannot be told what to do by a manual or guiding set of principles; he cannot even find out how to proceed. A good arbitrator addresses himself to the specific nature of each problem, seen in perspective, and relates his work to the background, desires and needs of the parties. Whether the procedure used is a technical or formal one or an informal one depends on a variety of factors. The good arbitrator can recognize and evaluate the factors and develop his procedures and attitudes accordingly. What is good for one group is not good for another.

The weight given to precise contract language or to past practices or to the history of negotiations or to related arbitration proceedings should depend on an evaluation of what appear to be pertinent factors. The ability to understand the problem, recognize the factors and make sound judgments is possessed by the arbitrator or not. If not, no amount of development of guides and no conference or series of conferences (valuable as they are) can equip an arbitrator to make sound judgments.

The ability to arbitrate can be enhanced by experience and interchange of views and experiences but the ability must be there; just

as the ability to manage a plant or run a Union must be there and cannot be induced by guides or lectures.

The Bethlehem experiences as described by Dr. Killingsworth must not be misunderstood; while relations between the Union and Management may be better than elsewhere in the industry, this is primarily a reflection on other portions of the industry and not an indication of an ideal situation in Bethlehem.

However, it is interesting to note that one reason arbitration does contribute to improving relations in Bethlehem is the lack of impact of arbitration awards. The plant managers do not apply every detail of every decision and opinion to every plant operating problem. The plant management is permitted to manage, which includes the direction of labor relations. The arbitrator's awards are always there to be called up in support of a Management or occasionally a Union decision on an operating problem or a wage issue. But neither party feels bashful about making determinations based on all the factors present and designed to settle the problem, whether or not the course agreed on is consistent with some prior arbitration award.

It is this flexibility which makes the arbitration procedure in Bethlehem tolerable to the Union because, despite the paper presented by Dr. Killingsworth, the record of arbitration has not been good or sound from the Union's viewpoint.

KIRK R. PETSHEK

Labor Consultant

First, permit me to rescue Bethlehem Steel from the Bethlehem practitioners. Admittedly, addressing this roomful of experts is like carrying coals to Newcastle, and contradicting those who are part and parcel of Bethlehem arbitration savors of trying to be holier than the Pope. Nevertheless, familiarity seems to have bred contempt, and so I submit that any system solving 16,000 out of 17,000 cases in the grievance procedure prior to arbitration, and with an almost constant decline in the number of cases brought up to arbitration, is a pretty good one. Carefully studying results and decisions emanating from this system, one cannot help but feel that Professor Killingsworth has if anything understated the lesson we can learn from the experience of this company and union, as well as the contribution of arbitration to harmonious labor-management relations.

Secondly, I must rescue a term which in the previous discussion became erroneously identified with the precedent-oriented school of

arbitration. "Industrial jurisprudence" was originally used by Professor Slichter in his Brookings book¹ for actual practices of labor and management, exercised through collective agreements and alongside of them. Since then this idea has been expanded and includes those practices and principles which have been evolved in arbitration. To uncover what these principles have turned out to be, may be a bigger job today due to the existence of many arbitration awards, but it is qualitatively still the same problem it was before these decisions were very important.

As has been made more evident by today's discussion, arbitrators are not an outside force, they operate *within* the relationship between labor and management, in fact they are a creation of the parties, as is the applicability of their awards. Unworkable decisions, awards that fail to solve the parties' problems, will have their force confined to the individual grievance decided, as Professor Killingsworth mentioned. The parties can ignore them forthwith, and even delete the arbitrator's name from their little book. As Bill Simkin has said, the decisions most acceptable to the parties are those which "fit just as closely as possible into the pattern and method of thinking which the parties utilize in their own settlements of grievances."² Hence, if the parties accept the award into their practical relationship, whether enthusiastically or reluctantly, they have *themselves* helped to determine basic principles, and have accepted the challenge of making them work in their future relationship. Only such implicit action can make it an industrial relations *practice*; if carried beyond these two parties it becomes a *principle* of industrial jurisprudence.

For this extension, I find most helpful Mr. Manson's statements that some standards for a wide range of problems have been turned out, that generalizations have emerged from the experience of arbitration and that they have flexible and adaptable application. To me, the crux of his paper lies in the statement that some of the early principles of arbitrators were revelations of the common experience of the parties and their customs, the pattern of their behavior, which was uncovered by the arbitrator's reasoning and which, being a *common* experience, was found to have validity for other parties. As this was the case prior to the publication of awards, we need not concern ourselves here with the advisability of publishing them — particularly

¹ *Union Policies and Industrial Management*. The Brookings Institution, 1941.

² William E. Simkin, *Acceptability as a Factor in Arbitration under an Existing Agreement*. Labor Relations Series, Wharton School, University of Pennsylvania, Philadelphia, 1952.

as they are being published anyway.³ Nor did anybody here make a case for awards as binding precedents in a legalistic sense for specific new cases⁴—partly because arbitrators belonging to the legalistic school might be reluctant to extend a real precedent beyond the agreement on which their appointment rests. Mr. Manson's terms "generalizations" or "standards" help distinguish these principles from precedents, and focus on our main problem of the ideas which can be derived from a variety of past awards and which will be useful for future arbitrators. The question thus becomes not *whether* principles are being evolved, but *what* they are and *how far* they should carry. Consistency between awards will take us a long way in that direction as is shown by Mr. Manson's novel attempt to link up the principles of seniority (employee's right to a job) and management's right to discharge (discipline).

It needs little elaboration that issues decided under the *same* agreement between the *same* parties will become part of their industrial relations background⁵—Professor Killingsworth's "rule-making function". He points out in developing this point that ideally the parties will perform this function themselves in the earlier stages of the grievance procedure with the knowledge that an arbitrator will make the rules if the parties fail to do so. The many cases settled at the earlier stages—and increasingly so the longer and more consistent arbitrators have ruled *between* the parties—seem to contradict Mr. Fischer's fear that arbitration may stifle settlements at earlier stages.

³ John W. Taylor and Theodore Kheel, "Reporting Labor Arbitration: Pro and Con," *The Arbitration Journal*, 1946, No. 4, p. 420; Aaron Levenstein, "Some Obstacles to Reporting Labor Arbitration", *ibid.*, p. 425.

⁴ A good case against it was made by McPherson, "Should Labor Arbitrators Play Follow-the-Leader", *The Arbitration Journal*, 1949, No. 3, p. 163. The best advocate of a moderate view holding that a certain amount of precedent-following, even beyond the parties, is inevitable, is the excellent book by Frank Elkouri, *How Arbitration Works*, Bureau of National Affairs, Washington, 1952. Some of the quotes in the next footnote were originally quoted by Elkouri in his chapter on "The Precedent Value of Awards".

⁵ This has been clearly stated by e.g. Herbert Blumer: "The parties have a legitimate right to expect the decision to clarify and stabilize their relations. Consequently, to force a union to carry repeatedly to arbitration a type of case already decided is unfair and unjustifiable." (*American Labor Arbitration Awards*, Vol. 1 (1949) par. 67, 121). Or Whitley McCoy, who stated that in case of a decision under the same contract "every principle of commonsense, policy, and labor relations demands that it stand until the parties annul it by a newly worded contract provision." (*Ibid.*, Vol. 2, 1948, par. 67, 937). Tom Kennedy makes the same point, and bolsters it by saying: "The development and acceptance of industrial common law also results in the saving of time and energy . . . (otherwise) the parties lack the advantage of a body of accepted principles to guide them in their day-to-day negotiations." (*Effective Labor Arbitration*, Philadelphia, 1948, p. 94)

Mr. Phelps' objection that a majority of cases deal with questions of facts or concrete job contents and thus do not lend themselves to rule-making, is undoubtedly correct in many cases, but only serves to limit the area within which rule-making can take place. Rule-making has been explicitly recognized by joint decisions of several arbitrators under the same agreement, by their resolve to communicate with each other before issuing important decisions, or by arbitration boards with the right to expressly over-rule in future cases decisions rendered prior to their appointment.

Awards can be persuasive to other arbitrators in cases between *different* parties. No arbitrator can be persuaded against his will, nor need he accept an entire award and its reasoning — he can always “distinguish” two cases. The way a problem is solved may sway him because of the real — or imagined — similarity of the cases, because of the logic of the reasoning, or its coinciding with his own preconceived notions. Even if the facts of the case appear similar, however, the solution of a grievance should be considered applicable only if the industrial relations circumstances surrounding the previous decision are comparable. The principal caveat before an award is permitted to be regarded as a building stone in the edifice of industrial relations principles should be that the industrial relations conditions implicitly forming the basis for the award be brought out and carefully considered. This is not always easy and puts some burden on research, but in my opinion the failure to emphasize this aspect led to a number of unnecessary debates and controversies in this area. The caveat is necessary as the published award often fails to clarify all pertinent aspects of the agreement or of actually prevailing industrial practices.

Let us pause for a moment to review four kinds of arbitration decisions: there are those purely involving facts or a concrete wage or job comparison, not useful beyond the grievance itself; some decisions will have a rule-making function, but purely between the parties, as they refer to a peculiar practice or agreement clause not likely found in other relationships; some decisions will enunciate a principle anchored in commonsense thinking which, while henceforth a part of industrial jurisprudence, would have been assumed to be part of these principles even if not explicitly decided; and, finally, decisions which, in Mr. Manson's words, “match the flora and fauna” of the thinking of the parties, and which, due to the logic of their problem-solving persuasiveness, are potential candidates for wide application beyond

the parties. It is in these last cases where precautions should be taken that prevailing industrial relations circumstances are considered.

Two examples may make this clearer. In the "common law" elements in the area of discipline, one problem is particularly beset with wide diversity of decisions, i.e. the question of discipline for wildcat strikes: should the ringleaders be punished, or those union officers who incited the workers to strike, or those who merely participated after the work stopped, or even those who are simply union officers? Different arbitrators have decided differently. However, looking at the position of arbitrators at Bethlehem we find surprising clarity: union officers have a duty to take *positive* action where the likelihood of a work stoppage has developed. A union officer "assumed a responsibility that he exert every effort to secure employee adherence to the grievance procedure." It has even been said, if there is no "concrete evidence of direct malfeasance", it is sufficient if "gross non-feasance" could be proved. Why so determined a stand? The agreement specifically applies discipline to anybody who "encourages or sanctions" a strike — which goes beyond the customary no-strike clause — but the particular clause is not always referred to in the published award. To extrapolate the spirit of these decisions to relationships which have not agreed on as strong a position on work-stoppages would thus be misleading; yet the mistake is easy to make if evidence of common law is based on reading only the awards themselves across company and industry lines.

Secondly, Professor Killingsworth mentioned Bethlehem jurisprudence regarding the "relative ability" clause in connection with seniority. It has been held by arbitrators in that Company that *demonstrated* ability, not *potential* ability is decisive — in other words, that the employee who is considered not to be relatively more able need not be given a trial period. This contradicts the considered opinions of arbitrators of the stature of Harry Shulman and Clark Kerr who have granted such trial periods. The reason lies in the fact that Bethlehem arbitrators discovered a union demand for such a trial period in collective bargaining negotiations in which the union failed. Again, the intent of the parties, once found, formed the basis of future awards which might easily be misleading to outsiders, if only the principle is stated. Actually, any explicit or implicit reference in *any* award to "past practice of the parties" makes the award useless for principle-building unless and until the genesis and extent of such a practice is established. Arbitrators in this room will undoubtedly be able to cite many more examples.

This emphasis on the over-riding importance of the labor-management relations background of each decision should point towards the most useful way the study of arbitration awards can influence the practice of industrial relations by helping to extend thinking beyond the parties directly involved without the danger of misapplication, and thus lessening the necessity of arbitrating as many grievances. It should contribute to Mr. Manson's "pragmatic" approach — too little explained — which I imagine to be aimed primarily at the flexibility of award application by furthering the preventive (sociological) aspect of arbitration through the development of principles, while avoiding the pitfalls of too judicial an application. I wonder whether this is what Mr. Manson had in mind?

It would seem that the best compromise solution would be to study arbitration awards not across the board — as most of the handful of scholars have done who have so far searched for substantive principles — but to investigate decisions in a series of companies, where the entire labor-management relationship can be studied: the rationale end intent of the parties, the history of past agreements and of collective bargaining, the attitude of the parties in handling grievances, actual past practices, etc. If arbitration decisions were studied in the light of surrounding circumstances, their applicability to other situations would become clear, and we need not fear misapplication or blind precedence-following. If, one after another, a series of companies were studied, we would be able to state with a great deal more assurance what over-riding principles emerge as valid from company to company after having been tested in the light of industrial relations environment in which they have been rendered.

This is precisely what was attempted in the Bureau of Labor Statistics' study of Bethlehem Steel decisions — shortly to be published — which gave the original impetus to today's discussion, supplemented by Professor Killingsworth's paper on how arbitration actually worked there. The reasons for choosing this Company as a pilot case after careful discussion of alternatives with, incidentally, a number of people in this room, were the same as those Professor Killingsworth mentioned as reasons for considering the Bethlehem case an illustration of arbitration as a technique of industrial peace. The study — which it was hoped would be available today — while of interest by itself, was designed as the first of a dozen or more studies of companies; but a certain legislative body cut out the funds before even this one study was completed, and an economy broom swept out several of those who had worked on it. The near future is not likely

to see this experiment continued at the same place, and it is devoutly to be wished that some foundation's interest in such studies will be aroused by those in this room and others concerned about the problem, who consider this a useful compromise approach.

To do full justice to such studies, the unspoken innuendos of the relationship in each company must be illuminated by detailed discussions with the parties to the agreement, the participants in the grievance and arbitration procedure at all levels, and the arbitrators. To get full information and complete understanding of the issues actually motivating the parties, the circumstances leading up to individual grievances, and the parties' attitudes, it may be necessary to publish a number of these studies without even divulging the name of the company or the industry: otherwise it is hardly likely that *all* important information would be forthcoming. In many cases I believe that a more useful purpose will be served by showing all important facets of the industrial relations background, than by divulging the name of the particular company and industry the study is referring to.

Such studies would not only pinpoint those substantive principles which are valid irrespective of the different circumstances giving rise to the grievance, but would teach us as well how best to approach day-to-day industrial relations problems as they arise within any one relationship. In this sense too little attention has been directed toward the contribution of arbitration to the understanding of the causes of industrial peace — a point implicit in Professor Killingsworth's discussion: studies of arbitration awards in individual companies may add a significant cornerstone to the picture of harmonious labor-management relations. As an integral part of bargaining, problems solved through arbitration can go a long way towards explaining industrial relations harmony or dissension. What basic problems have been settled earlier or gone all the way to arbitration? What issues proved the real burning questions, and how were they solved? If we take care to separate decisions which the parties use for face-saving, or for satisfying a bothersome grievant, or which are needed for internal political reasons, from those where real problems between the parties wait for the arbitrator's solution, we can probably learn more than through any other spy-glass about what makes labor-management relations tick. All told, then, the preventive purpose of arbitration *within* and *outside* of a company and thus industrial peace can best be served by investigating grievance and arbitration decisions over time in a series of individual situations.

In other words, arbitration is the psycho-analyst's couch of industrial relations. The substantive principles are the doctor's prescriptions which he dispenses after a careful study of the patient, and on the basis of his and others' experience in similar circumstances. Future cases can be settled due to this accumulated knowledge before they develop all the complexes which arbitration has to unravel. The principles showing how problems arise and are solved in different cases and circumstances should over time give us a Kinsey report on the normal behavior of the American industrial relationist.

Part VI

SOCIAL SECURITY—A NEW LOOK

*Note by the President of the Industrial Relations
Research Association*

As originally planned in the summer of 1953, the session on Social Security was designed to be an exposition of the Administration's program for revising Social Security, with one paper and one discussant devoted to the variations suggested by the Chamber of Commerce of the United States. Unforeseen events, however, resulted in a change of emphasis on the part of the participants, so that in actual fact the session turned out to be in large measure a discussion of the Chamber's proposal. In view of this development, I have asked the Editor to run Glenn Campbell's paper first in the Proceedings. This revised order will enable the reader to obtain a positive exposition of the Chamber's proposals in advance of the criticisms to which these were subjected by the other speakers.

A PROGRAM TO PROVIDE SOCIAL SECURITY TO EVERYONE

W. GLENN CAMPBELL

Research Economist, Chamber of Commerce of the United States

ON JANUARY 1, 1954 the social security system will have been in operation 17 years. What, one might ask, have been its achievements to date? I believe there have been several. For one thing, approximately 80% of the gainfully occupied are now covered by social security. Some 30% of the persons over 65 are drawing OASI benefits.

Surely, this is an achievement for which anyone associated with the program can properly feel proud. But those who are truly interested in improving the social security system cannot stand on any defense of the status quo, no matter how closely they may have been associated with its origin and evolution to date. They must look ahead and not backward.

What are the deficiencies of the present social security system? Without question the following are some of the most important shortcomings. After 17 years of experience some 20% of employed persons are still not covered by social security.

Only 3 out of 10 persons over 65 draw OASI benefits. Approximately 6 out of 10 aged persons in the United States are ineligible for Old-Age and Survivors' Insurance benefits. Virtually none of these persons will ever be able to qualify for benefits under the OASI rules as they exist today. As of December 31, 1952 there were an estimated 13,305,000 persons age 65 and over in the United States; 3,824,030 were drawing OASI benefits. This leaves 9,481,000 aged persons or 71% of the population age 65 and over not drawing benefits. Of this group, approximately 1,440,000 or 11% were fully eligible for OASI benefits but were not currently on the benefit rolls, principally because most of them were working. This leaves approximately 8,041,000 or 6 out of 10 of the aged population who were neither drawing OASI benefits, nor eligible for such benefits.

These findings are so important as to justify grave concern as to the adequacy of the present social security program. Its social purpose is to provide a basic floor of protection for all the aged. But approximately 6 out of 10 of today's aged are unlikely ever to become eligible for OASI benefits. Surely this is a serious indictment of the present social security system and one which reasonable men must agree should be remedied.

The OASI system provides survivors' benefits to children under 18 and their widowed mothers. Here we find that more than 40% of widowed mothers and orphans are at present denied benefits. Surely this is another defect whose elimination it is difficult to oppose.

SOCIAL SECURITY PROGRAM OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

The social security program of the Chamber of Commerce of the United States, which was adopted by an overwhelming majority vote of its nation-wide membership last January, was designed with these and other deficiencies in mind and it sets forth a program to eliminate them. It is a program which I, as an individual, enthusiastically support. My only regret is that I did not have the good fortune to take part in the formulation of this program. The credit for creation of the program belongs to persons other than myself.

The Chamber proposal comprises four major elements—inseparable parts of a single package, each necessary if the country is to have a defensible, nondiscriminatory system of old-age benefits. These recommendations stem logically from the recognition of the actual nature and purpose of the social security system. They represent a negation of the fallacy that social security is either a government insurance system or a government savings bank.

The Chamber recommendations proceed from the basic premise that social security is a contributory, tax-supported, public-purpose program, intended to provide protection to all the retired aged.

The four main planks of the Chamber plan are:

1. Attain universal coverage by bringing all the gainfully employed under social security.

2. Pay OASI benefits to all of today's retired aged. This would bring immediate benefits at the minimum level to the approximately 5 million retired persons over 65 who are at present left out of the system for no good reason. Benefits for all others should continue as now to be related to prior earnings and range from a minimum of \$30 to a maximum of \$85 a month for primary beneficiaries.

3. End federal control of and federal contributions to state relief programs for the aged by terminating federal grants for old-age assistance. Federal OASI coverage of the presently unprotected

¹ For a comprehensive discussion of corrective approaches suggested by Chamber policy, see *Improving Social Security*, Chamber of Commerce of the United States, 1953, 128 pages, \$2.00.

aged will immediately bring all retired aged into the OASI system and eliminate the justification for federal grants to state old-age assistance programs.

4. Finance benefits on a pay-as-you-go basis by establishing a direct relationship between income and outgo.

On the first point, universal coverage, there is little question that the overwhelming majority of the people in this country are in substantial agreement that it is desirable. Representatives of some of the exempted groups, however, offer strenuous objections to being covered. It is quite easy to understand the thinking of these groups and the hesitancy of Congress in the past to force such coverage so long as the illusion that OASI is either an insurance system or a government savings institution is maintained. Under such a premise the argument of the exempt groups that they neither need nor want such insurance has a certain validity.

But if the system is recognized for what it is — a system whereby the producers of today finance through taxes the benefits paid to today's retired aged — the argument for universal coverage advanced by Dr. Eveline M. Burns at The American Assembly at Arden House in November of 1953 becomes compelling. Dr. Burns pointed out that there is no more reason for exempting groups of gainfully occupied from social security tax coverage than there is for exempting bachelors from paying taxes to support public schools. Without a doubt, the validity of Dr. Burns' argument for universal coverage must rest on the premise that OASI is a tax-supported, public-purpose program to provide a basic floor of protection for the retired aged.

PAY BENEFITS TO ALL THE AGED

The second element of the Chamber proposal — blanketing in the so-called unprotected aged — is also a logical extension of the basic premise that OASI is a public-purpose program and as such should not discriminate against millions of today's aged. It is this proposal that has come in for the heaviest criticism from some sources. The opposition rests its case largely on the proposition that OASI is insurance in the commonly accepted sense of the word. Millions of people are under the impression that their social security taxes are premiums which have bought and paid for their protection.

Several facts can be cited to show that such a theory is almost totally fallacious in all respects. Let us first explore briefly the early legislative history of the Social Security Act. On May 24, 1937 the

Supreme Court upheld the constitutionality of Title II (monthly benefits for retired aged) as a valid exercise of the spending power. The Court pointed to various statistics presented indicating widespread destitution among the aged and said "Congress did not improvise a judgment when it found that the award of old-age benefits would be conducive to the general welfare." In the argument on constitutionality it had been pointed out that OASI taxes were so dovetailed with the benefit provisions as to indicate that Congress would not have enacted the tax provisions without the benefit provisions, even though the two titles were drawn so as to be entirely independent. But the Court merely said "Title II being valid, there is no occasion to inquire whether Title VIII would have to fall if Title II were set at naught."

Of even more significance is the following statement contained in the brief filed by the government in the same case: "The Act cannot be said to constitute a plan for compulsory insurance within the accepted meaning of the term 'insurance.' " On this basis OASI benefits were presented to the Court by the Attorney General whose brief carried the signatures of two present Justices of the Supreme Court as well as the signature of the General Counsel and other attorneys for the Social Security Board. The Court thus approved OASI benefits on the theory that the problem of destitution among the aged was national in scope and that the benefit provisions, whether wise or unwise, were a valid exercise of the spending power under the welfare clause.

The basic fact is that people are not entering into insurance or annuity purchase contracts with the government when they pay OASI taxes. The system was not established on a contract basis which, as most persons will agree, constitutes the essential element of the insurance principle. But instead it is a tax-supported system designed to deal with what Congress has decided is the long-range old-age problem.

Many millions of people, however, are convinced that they do have a contract with the government for OASI taxes and that social security taxes are insurance premiums which have bought and paid for their protection. Even some of the "fathers" of the U. S. Social Security System seem to hold divergent views on this subject. In the 1939 Senate Hearings on Social Security, Professor Witte said:

"The danger of a break-down of the economic system —
the possible threat of a break-down of the economic system—

if we provide for universal pensions, lies in the fact that the pension becomes not a matter of payment of an insurance contract, but a hand-out."

In the 1953 hearings of the Curtis Subcommittee on Social Security, former Commissioner Altmeyer said:

"Now, in justice to Mr. Witte, and because of the importance of this legal question, which I have no doubt will be raised, and has been raised by the chairman of the subcommittee on previous occasions, it is important to note that Mr. Witte uses this expression 'insurance contract' not as a lawyer would use that term. This insurance is established as a matter of statutory right. There is no individual contract between the beneficiary and the government."

At present the trust fund accumulation totals about 19 billion dollars. But the Social Security Administration Actuary has estimated that the total accumulated liabilities of the present OASI system as measured by ordinary insurance concepts equal about \$200 billion. Here is a good rule of thumb measure of the difference between an insurance system and the present OASI system.

Furthermore, as a group the individuals covered during 1937-1950 have received sufficient *survivors' benefit* protection to at least offset their own contribution. In other words, they did not contribute anything net towards their retirement benefits. It would seem that this considerably weakens the validity of the argument that benefits should not be paid to retired aged who have made no contributions because the present beneficiaries have paid for their retirement benefits!

Under the 1950 amendments Congress shifted by legislation almost $\frac{3}{4}$ million aged who had paid only a few dollars in social security taxes from "uninsured" to "insured" status. No question was raised as to the propriety of paying benefits to these people. Indeed, once one cuts through the insurance mythology surrounding OASI and sees it in its true perspective—a contributory, tax-supported, public-purpose program to provide protection to all the retired aged—it can be seen that no legitimate question could have been raised. Congress also substantially increased benefits of those on the rolls with no questions asked. Yet if this were a bona fide insurance program, such a procedure could never have been condoned.

The 2.7 million persons who were drawing primary OASI benefits as of December 31, 1952 paid \$356,470,000 in OASI taxes. They

have already received more than ten times the amount of their own tax contributions — \$3,665,400,000 in benefits. Under existing law they will receive \$13.5 billion in additional benefits. This means that their total benefits will be about \$17,165,000,000 which equals a ratio of benefits as compared to taxes of 48 to 1. Of course, if the OASI taxes paid by employers on past wages and salaries of these persons were taken into account, their OASI benefits would total approximately 24 times the amount of taxes.

The trust fund is not now large enough to cover the benefit payments that will have to be paid to those currently on the benefit rolls, to say nothing of the tens of millions now contributing and who will be on the benefit rolls in future years. As of the end of 1952 the OASI trust fund lacked \$2 billion of having accumulated a sufficient sum to pay future benefits to persons already on the OASI benefit rolls. There were 2,644,000 aged persons drawing primary old-age benefits and 2,382,000 persons drawing secondary benefits. These 5,026,000 persons had already received a total of \$6,010,700,000 in benefits. The actuaries of the Bureau of Old-Age and Survivors' Insurance estimate that they will draw an additional \$21,826,000,000 in benefits before their entitlement to benefits ceases.

For the same date the OASI Trust Fund showed a balance of \$17,442,000,000. While this amount of money is being paid out in future benefits to persons drawing benefits at the end of 1952, it is estimated that interest amounting to \$2,500,000,000 will be credited to the trust fund on such money. These two figures total approximately \$19,942,000,000. When this is compared with the benefit liability of 21.8 billion dollars, it can be seen that the OASI trust fund was short by almost \$2 billion.

Mr. Robert J. Myers, Chief Actuary of the Social Security Administration, stated in hearings before the Curtis Subcommittee on Social Security that "The present trust fund is not quite large enough to pay off the benefits of the existing beneficiaries. Therefore, you may say under that basis or conception that there is nothing left in the fund for other contributors."

This further re-inforces the proposition that the social security system is a public-purpose program in which today's employed persons are in effect, paying for the benefits of today's retired persons. Some 87 million persons have paid OASI taxes during the period from 1937 through 1952 but have never received benefits; and, furthermore, nothing has been laid aside in the OASI Trust Fund to pay benefits in the future to these present day workers. These 87

million persons have already paid a total of \$11.1 billion in employee and self-employment taxes. Their employers have contributed an additional \$10.9 billion on their behalf. This total of almost \$22 billion equals 93% of all OASI taxes collected since the start of the program.

Dr. Eveline M. Burns has aptly summed up the question as to whether social security is or is not insurance as follows:²

"But abandonment of the insurance analogy is inevitable. For the experience of all countries has shown that the answers given by a strict application of insurance theory are inadequate, and irrelevant to the major problems, and that their apparent finality is an illusion. Social purpose has either enforced such drastic modifications of the 'insurance' element in social insurance as to make retention of the word not merely unjustified but misleading; or it has led to the creation of other instruments, side by side with a restricted insurance scheme, to carry out the public will more effectively.

Real Character of Social Insurance

"Nor should this conclusion dismay us. Once we are prepared to accept the instrument which happens to be called social insurance for what it is, namely a means of using government to guarantee predictable, nondiscretionary cash payments to some or all members of the community, we are more likely to appreciate the real nature of economic and social issues and conflicts that arise. We shall be less likely to retain specific provisions that do not serve their purpose if we force ourselves to say what that purpose is in each instance. And we shall be more likely to equip ourselves with an instrument that is responsive to changes in social values and in the economic environment. We shall be facing, instead of evading, the central issues of public policy."

THE CONTRIBUTORY PRINCIPLE

One of the arguments frequently made against blanketing in today's retired aged is that it would seriously threaten, if not destroy, the contributory principle of social security. In order to see this

* "Private and Social Insurance and the Problem of Social Security," *Canadian Welfare*, Canadian Welfare Council, February 1 and March 15, 1953, Ottawa, Canada.

proposition in its proper perspective, it is necessary to outline briefly the Chamber of Commerce proposal. Universal coverage of the gainfully occupied is recommended. The Chamber endorses the present contributory social security tax system under which taxes are imposed on the first \$3600 of income and are shared equally between employer and employee. Benefits would continue to be related to prior wages and they would range from \$30 to \$85 a month for primary beneficiaries. Thus, the only recommendation for changing the benefit schedule that the Chamber has made is to favor an increase in the minimum primary benefit from \$25 to \$30 a month.

The major benefit payment change recommended is the proposal to mature the system and pay the minimum primary benefit of \$30 a month to the 5 million "unprotected aged." These are the only persons who have not contributed directly any social security taxes. However, it should be pointed out that the gainfully employed persons in all occupations will be paying the social security tax. The principle of "past service credits" already recognized in the 1950 and 1952 amendments is carried to its logical conclusion in this proposal fully to mature the system by blanketing in the unprotected aged. Interestingly enough the cost of this proposal would be less than the cost of the 1952 benefit liberalization.

As a result of previous applications of the past service credit principle, individuals are receiving the minimum OASI benefit (\$25 a month) for a contribution as little as \$3 and the maximum OASI benefit (\$85 a month) for a contribution as little as \$81. We are thus left with a situation in which the unprotected aged will not have made any contribution directly, whereas the present minimum \$25 a month primary beneficiary has himself paid at least \$3 and the maximum \$85 a month primary beneficiary has paid at least \$81.

The fact that the unprotected aged will have made no contribution seems seriously to disturb many people.

Dean Larson of the School of Law of the University of Pittsburgh says: "In terms of principle, however the difference (between making a contribution no matter how nominal and not making a contribution) is precisely the difference between social insurance and Townsendism." At least here we have a definition of social insurance! If Dean Larson and his supporters are seriously worried because the unprotected aged will have made no contributions, the unprotected aged could be required to contribute their first \$30 monthly benefit check to the OASI Trust Fund. I doubt that many of the 5 million persons would find this an unreasonable request! Furthermore,

it would seem to be a fair amount because it is ten times the smallest amount that present beneficiaries have paid. Given the fact that the largest amount any individual minimum benefit recipient has paid is less than \$100, it is probably not far from the average amount that has been paid by the current minimum benefit recipients.

The point is also made that paying minimum benefits to all the unprotected aged would not remove all the discriminations in the social security system because some of these persons may have earned wages which would have entitled them to the maximum benefit. This point cannot be denied. However, given the fact that in many cases there will be no record of past earnings plus several other problems, it was concluded that all things considered, the most equitable proposal would be to pay the minimum benefit to all the unprotected aged. At least this will greatly decrease the inequity of the present system.

Discriminations of this sort were inevitably introduced into the social security system when the decision was first made to deviate from true insurance principles. This decision has long since been made and few would deny that events have rendered its reversal impossible. To reverse this decision would mean taking away virtually all the benefits from those persons now on the benefit rolls and paying very small benefits for years to come. Once we look at the social security system for what it really is, it becomes impossible to deny that the Chamber plan substantially increases the equity of the system. Perhaps it is not perfect but the appearance of a better program is still being awaited.

FEDERAL GRANTS FOR OLD-AGE ASSISTANCE

Let us now turn to the proposal to eliminate federal grants for old-age assistance. OASI coverage of the presently unprotected aged eliminates any further justification for federal grants to state old-age assistance programs. The only real justification for the present federal participation in this area arises from the existence of a large pool of unprotected aged. It seems to be generally agreed that means test relief for the aged is essentially a state and local problem.

The payment of OASI benefits to all the retired aged would also aid the low-income states considerably more than the present grant system because individuals in low-income states now receive on the average considerably lower federal old-age assistance grants than individuals in higher income states. Under this proposal the federal

government would be paying the same amount to an individual irrespective of where he lived.

The present federal old-age assistance grant problem has many defects. Not the least important has been the distorting effect on state budgets of the availability of this "cheap" federal money. In some states less than 10% of persons 65 and over receive old-age assistance, whereas as many as 60% to 70% receive old-age assistance in other states. Probably the most important reason for this extensive variation is the variation in lien, recovery and relative responsibility provisions in state laws. Almost without exception, the states without these provisions are those that pay old-age assistance to a high percentage of their aged.

Ending federal grants would eliminate these special inducements to distort state expenditures. But the ending of federal grants would not interfere with the provision of public assistance by the states to those persons who still do not possess sufficient means to meet their needs.

PAY-AS-YOU-GO FINANCING

The final point in the Chamber proposal calls for pay-as-you-go financing of the OASI system. This has been sharply criticized. To some it has meant a "raid on the Trust Fund." To others it has meant reducing benefits in periods of economic recession and depression and to still others, it has meant a cleverly disguised scheme to wreck the social security system.

Perhaps the first comment that should be made is that the OASI system is virtually on a pay-as-you-go basis now. Any system in which the benefits are increasing as rapidly in relation to tax payments as the present system and one in which the trust fund stands at \$19 billion as compared to the \$200 billion actuarial reserve required to put the system on an insurance basis is not far from pay-as-you-go.

It is recommended that a system of financing be devised under which OASI tax revenues would always be approximately equal to old-age benefits and under which the tax rate would have to be automatically increased as benefit disbursements increase. The trust fund would be labeled for what it is — a contingency fund. It is proposed that this contingency fund should equal a fixed percentage of covered payrolls. For example, with today's covered payroll of \$130 billion, the contingency fund could reach a maximum of \$26 billion if the fixed percentage were set at 20% in the law. Thus, this system would allow some further buildup of the contingency fund and the increase

in the payroll tax from $1\frac{1}{2}\%$ to 2% on January 1 of 1954 should not be opposed.

An important advantage of such an approach is the automatic flexibility that it gives the OASI system in periods of recession and periods of depression. Since covered payrolls would decrease during such a period, the contingency fund could be drawn upon and it would not be necessary to increase the tax rate in order to take care of increased benefit disbursements. As the economy recovered from depression and covered payrolls increased, the contingency fund would be built up once again. The contingency fund would therefore exert a real stabilizing influence on the economy. Instead of having to increase taxes during a period of depression and thus exert an unstabilizing influence on the economy, there would be an automatic stimulating influence resulting from the fact that disbursements exceeded revenues.

SUMMARY

In summary, the major elements of the Chamber proposal call for:

a. Extending OASI tax coverage to the more than 12 million gainfully occupied now left out, thus establishing a universal contributory system.

b. Increasing the minimum benefit to \$30 and making it payable to the nearly 5 million "unprotected aged." Benefits for all others would continue as now to be determined in relation to prior wages and range from \$30 to \$85 a month for primary beneficiaries.

c. Extending benefit protection to the unprotected aged would include the survivorship protection now afforded the "protected group."

d. Financing benefits so that current OASI tax revenues would always be approximately equal to current OASI disbursements.

e. Setting up the contingency fund in such a way as to permit automatic flexibility in periods of economic recession.

f. Terminating federal grants for old-age assistance.

The adoption of these recommendations would go a long way toward making the social security system accomplish what it was intended to do—provide, without a means test, protection for all and not just a few of the retired aged.

SOME PROPOSALS FOR IMPROVING THE SOCIAL SECURITY PROGRAM

HONORABLE ROBERT W. KEAN
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THE SUBJECT GIVEN ME for these remarks is a broad one. I am, therefore, not only going to discuss suggestions which I have made for improvements in the Social Security law, but suggestions which others have made.

Despite my opposition to certain of these, I recognize the deep interest in the welfare of the United States by those who have made them, and their sincerity in advocating certain changes.

First, and foremost, I believe that almost everybody now believes that any changes should be made within the present framework, preserving the basic principles of the Social Security System.

These basic principles — and they are sound — are:

First, benefits should be paid as a matter of right — without a means test.

Second, the program should be financed by contributions from both employers and employees on a percentage of payroll.

Third, benefits should be related to wages.

Fourth, benefits should only be paid to those who have virtually retired.

In the present Congress I have introduced four bills which would provide for five material improvements:

1. Extension of coverage to millions now excluded from the insurance system to the end that all the gainfully employed should be covered by some public retirement system. Support of such a change seems to be nearly universal on the part of those who understand the system. There is still opposition from some lawyers, but the New Jersey Bar Association, on December 5th, passed a resolution asking for inclusion of lawyers; and though there is still opposition from the American Medical Association, I do not believe they represent the rank and file of doctors — for, in my own home county of Essex in New Jersey, a postcard referendum of doctors was conducted by the Essex County Medical Bulletin in October which showed a majority of 6-1 in favor of the inclusion of physicians in OASI.

Other suggestions included in the bills that I have introduced provide for:

2. Increase in the retirement test from \$75 to \$100 a month.

3. Waiver of insurance premiums for persons becoming totally and permanently disabled.

4. Provision for rehabilitation services to insured persons who seemingly have become totally and permanently disabled.

5. Use of the best ten consecutive years in computing the average monthly wage for benefit purposes, instead of lifetime earnings.

These five improvements can be made without increasing the contribution schedule in the present law.

There has been much agitation lately to freeze Social Security taxes at the present rate of $1\frac{1}{2}$ percent on employer and $1\frac{1}{2}$ percent on employee, instead of allowing the increase to a 2 percent rate on each as provided under the present law.

There is some political appeal to such a move at this time. As you know, on January 1st the present income tax will be reduced. The reduction amounts to about 11 percent for those in the lower income group.

Owing to the fact that the Social Security tax is a tax on gross income up to \$3600, while the income tax is a tax on net income after certain deductions for dependents, it can be seen that in many cases of those with low income and several dependents the $\frac{1}{2}$ of 1 percent increase in Social Security tax would amount to more than the 11 percent reduction in income tax. And so the worker's take-home pay would be less — in spite of the income tax reduction.

For instance, a worker earning \$3000 — married with two children — today pays an income tax of \$66. An 11 percent reduction would save him about \$7, but the $\frac{1}{2}$ of 1 percent increase in Social Security tax would cost him \$15.

It is interesting, however, that those who have called attention to this have been the representatives of industry and not representatives of the workers, for among the latter — the AF of L and the CIO for instance — many are strongly against a freeze. In this connection it must be remembered that not only does the worker pay the tax increase, but also the corporation which employs him.

I am opposed to freezing at the present time. I am opposed — first, because the benefits which are being received now are greater than can be justified with the present tax rate.

I am also opposed because a tax raise in any case would have to be made very shortly, for under the present rate the Trust Fund would be completely exhausted about 1965.

But the most important reason upon which my opposition is based — is that freezing raises a basic question and is involved with

one of the most important decisions which the Congress must make — a decision which should not be made hastily — and that is: Should we enter into a so-called “pay-as-you-go” financing plan instead of the reserve financing embodied in the present law? If we freeze today, it almost makes inevitable some type of pay-as-you-go.

A number of distinguished persons in business, finance, and insurance have stated that they are in favor of pay-as-you-go. One of the chief advocates of this has been the Chamber of Commerce of the United States.

A couple of weeks ago I received a Bulletin from them modifying their advocacy of pay-as-you-go to the end that they recommended that there should always be a reserve fund amounting to 20 percent of payroll.

As present payrolls are estimated by the Department of Commerce to amount to \$130 billion; this would call for a reserve fund of \$26 billion.

The plan which they advocate in the Bulletin seems first to call for a rise in the trust fund to the \$26 billion. Then either a freezing of the tax rate, or a yearly change, if necessary, to meet the 20 percent. Would not such a provision result in uncertainty, bookkeeping complications and difficulties in explaining to the more than 50 million paying the tax why one year it would be at one rate and the next year either higher or lower?

If there was a 25 percent depression and payrolls went down to \$100 billion, there would of course be many more claims for Social Security benefits, for to a large extent older workers would be those let out, so the trust fund would probably drop rapidly.

Perhaps if payrolls would decrease during the depression as fast as would the trust fund, it would not be necessary to increase the tax during such a period. But the beginning of a recovery would certainly result in higher payrolls, and then an automatic increase in the tax would be necessary, resulting in an automatic reduction in purchasing power at a time when we might wish to stimulate business activity.

There is some appeal in a “pay-as-you-go” policy. However, there are some very important policy questions which must be decided before making a radical change from our present method of financing.

For instance, if we enact the so-called pay-as-you-go plan, how will we make up the loss of interest which now accrues under our reserve system? Will we increase the taxes on employees or em-

ployers, or will we make up the loss by a government subsidy? The loss in interest would eventually be equal to about 20 percent of the contributions income.

It is this interest—credited to the trust fund for the use of the taxpayers' money before he receives benefits which is one of the factors which helps make it possible to pay a worker upon retirement (or his close relatives upon his death) more than he has contributed.

Under pay-as-you-go, interest earnings would no longer be a major source of income to the fund.

The end result would inevitably be that 25 years from now, perhaps one-quarter of Social Security benefits would have to be paid from general taxes.

Estimates are that this amount—which would have to be charged to the general taxpayer under a pay-as-you-go plan—might well be between \$2 and \$2½ billion a year.

Pay-as-you-go makes it much easier for this generation; in fact, we might for a year or two even reduce the present Social Security tax; but it would make it much more difficult for future generations.

We are today making promises as to how much to pay those who retire in the distant future. To make no provision to raise the money to pay our promises—to say to our children and grandchildren; we make the promises, it is up to you to fulfill them—seems to me to be cowardly.

Now let us consider another suggestion of the Chamber of Commerce of the United States. As you all know, when the Social Security Act was passed in 1935, two old age programs were provided for—the federal program for old age insurance, now known as OASI; and a system of federal grants to the states for old age assistance to the needy. The chief aim of the latter was to take care of those who were not covered by the insurance system.

It was contemplated that as more and more people became eligible for benefits under the insurance system there would be less and less old-age assistance, and that perhaps ultimately the federal government might be able to withdraw entirely from the old-age assistance program leaving it up to the states, if they wished, to supplement Social Security insurance payments in cases of need.

However, it has not worked out that way. Old-age assistance has grown by leaps and bounds until now—in spite of the fact that there are four and a quarter million aged persons drawing insurance benefits under the federal old age and survivors insurance program

—the federal share of old-age assistance amounts to approximately \$900 million a year.

There are 2,600,000 persons now drawing old-age assistance and the federal government is contributing about 57 percent of the cost of this assistance to the aged.

The present old-age assistance program is a hodge-podge. For instance, in the State of New Jersey where we have strict regulation and where family responsibility is insisted on and liens are taken on any property owned by beneficiaries, there are only 5 percent of those over 65 receiving old-age assistance; and the total sum paid to our state—a state with approximately 5 million population—by the Federal Government for this purpose in fiscal year 1953 was \$8,588,000.

In Louisiana, however, with less than half New Jersey's population, where there is no recognition of family responsibility, almost every person over 65 not covered by OASI receives old-age assistance—60 percent of those over 65, to be exact. The Federal Government contributed, in fiscal 1953, \$47,594,000 to Louisiana for this purpose, approximately six times what it pays to New Jersey—a state with twice Louisiana's population.

In fairness it must be recognized, however, that in a state with a large farm population such as Louisiana—as farmers in the past have not been included in OASI—more demand for old-age assistance must be expected than in a highly industrialized state such as New Jersey.

I believe that we should do everything we reasonably can to reduce the number of aged people receiving assistance by extending coverage in the contributory system so that all of the gainfully employed will be included in some public retirement system.

If we have coverage as provided in the bill which I have introduced, it has been estimated that by 1980 probably only about 5 percent of the population, age 65 and over, would not be eligible for public benefits.

These would include women who had never worked to any extent in gainful employment, or had not been married to working men, and people who had never worked because of disabilities—congenital or acquired at an early age. So long as benefits under the program are based on gainful employment, individuals in these classes will never become eligible.

Certainly the states should be able at that time to take care of these comparatively few individuals without Federal assistance.

Practically universal coverage is my answer to the future problem of the heavy burden of old-age assistance.

The Chamber of Commerce of the United States also recognizes that something should be done to try to eliminate the large number of people receiving this old-age assistance out of current taxes. Their original suggestion was that all the present retired aged who are not receiving insurance benefits should be blanketed in, receiving \$25 monthly from the old-age and survivors insurance trust fund. Thus, this payment would be out of current and past contributions made by employees, and by their employers for the employees' protection.

In the Bulletin which I have referred to before, the Chamber of Commerce now suggests that the minimum under OASI be increased to \$30 and that this amount be paid to all elderly persons not covered, instead of the \$25 in their original suggestion.

But I find it especially difficult to justify paying any benefits to uninsured persons out of the contributions made by and on behalf of contributors to the insurance system for their own future protection.

We would be breaking faith with the employees and self-employed persons of this country who have paid Social Security taxes if we were to use part of their contributions to pay benefits to persons who had not contributed a single cent to the system.

Besides this fundamental principle, there are certain reasons why the Chamber of Commerce proposal does not seem to be practical.

As I have said, the suggestion is now made that we pay to those not covered \$30 a month. Why \$30 a month?

Would there be any chance that Senator Millikin, Chairman of the Finance Committee of the Senate, who comes from the State of Colorado, could agree to such a plan when Colorado now is receiving from the Federal Government considerably more than this for its share of old-age assistance?

We could not limit the payment to only the 2,600,000 now receiving old age assistance.

At present only about 50 percent of those over age 65 are receiving payments from a public old-age system.

There are today approximately 13½ million people age 65 and over. The number who are still working, with their wives, amounts to about 4 million. Thus, there are approximately 9.4 million retired. Deducting the 4½ million now receiving benefits from OASI leaves us about 5 million now retired not receiving these benefits.

Less than half of these are now getting old-age assistance as state authorities have determined that the others are not in need.

If all those not under OASI should receive \$30 a month, as proposed under the Chamber of Commerce plan, it would call for a payment from the trust fund of \$1,800,000,000 annually.

It is true that as we get broader coverage and nearly all receive Social Security benefits, in future years there would be fewer and fewer people who would draw from this source. However, it has been estimated that even with broader coverage the Chamber of Commerce plan would cost the trust fund \$15 billion.

I have even heard of responsible people suggesting that we pay to the elderly persons not covered \$45 a month out of the trust fund. This would cost approximately \$2,700,000,000 next year and would drain the trust fund of about \$23 billion over the years.

Would not such a plan for payment of any amount based without any consideration for past earnings or employment—a payment which could be changed at the whim of Congress—become a football of politics?

I can envision that before every election every demagogue would promise that he would support a larger sum if he were elected and the result might well be a higher figure before every election, for with more and more persons living beyond the age of 65, the elder group of voters will become more and more politically powerful.

And you must remember that this amount—as the Chamber wishes it to be taken from the trust fund—would not result in a charge against the current budget with the potentiality of higher taxes; so it might be politically palatable. Only the reserve which had been built up for the protection of the insured with their own money and that of their employer would suffer.

It is only the fact that there is some actuarial soundness to the trust fund, that benefits are gauged to past earnings and that theoretically additional benefits would call for a higher Social Security tax, which makes possible any firm resistance to increased demands for more and more and more benefits.

There have been suggestions made that the amount on which Social Security tax is based be increased from the present \$3600 to \$4800. One justification for an increase in the base is the drop in the value of the dollar and the fact that the average wage has increased about 20 percent since 1950 when the last general revision bill was enacted.

There is also the advantage that actuarial studies show that such action would bring considerably more revenue into the system and,

therefore, might make possible some increased benefits, but this latter fact raises the question—If the system is to be benefited by having more funds, who is it that will lose?

Unfortunately, studies show that if this increase were made, it is quite possible that the self-employed who pay into the system throughout their entire working lifetime might not get their money's worth. And it is definitely true that though the employee from his contribution alone might get his money's worth, the combined payment of employee and the amount that the employer pays for him would be greater than the additional benefit which the employee would receive.

Thus, in fairness, if we are to increase the base, we would necessarily have to change the formula for computing benefits.

Some have suggested that we change the formula to provide 60 percent on the first \$100 instead of 55 percent, and then 15 percent of the balance, as at present.

Other suggestions have been that we increase the 15 percent after the first \$100 to 20 percent. This would result in those earning \$3600 receiving \$95 instead of \$85, and those who earn \$4800 receiving \$115 a month.

As wives, when they reached the age of 65 would also get one-half of their husband's benefit, the result would be a joint payment of \$2070 a year. Such a figure, however, might well be considered by the insurance companies as encroaching on the field justifiably now reserved for private insurance protection and personal savings.

Perhaps a change in the wage base to \$4200, or some combination of the formulas which have been suggested would be the most acceptable.

However, all these suggestions would add to the cost of the system. This added cost, taking into consideration the lessened cost from increased coverage, would be perhaps about a half of one percent of payroll. Thus, one-half of the effect of the January 1st increased payroll tax would be lost.

If such provisions are enacted into law, it is important that when we write the bill we provide for an increased step-up in the tax at some future time to cover this for it is of the utmost importance that the system be continued on a basis which is as actuarially sound as possible when we consider the many unknown quantities which we face in the future, such as the number of aged people 50 years from now, the number of people working, and the scale of pay which will then be in effect. Only thus can we have a system in which the people will have confidence.

SOME LABOR VIEWS ON THE SOCIAL SECURITY PROGRAM

NELSON H. CRUIKSHANK

Director, Social Insurance Activities, American Federation of Labor

SOCIAL SECURITY in the United States is a complex network of programs, including many activities of government at all levels. It ranges from the Federal system of Old-Age and Survivors' Insurance through Federal-State programs of assistance and unemployment insurance, all the way to the state workmen's compensation programs and to municipal or county programs for the retirement of superannuated workers in particular occupations. I shall confine these observations to just one of these programs, albeit the largest and most comprehensive, and the one about which at this time there is the most public discussion, since the Second Session of the 83rd Congress, when it convenes the first of the year, will have before it some 200 proposed amendments to the Social Security Act.

The men and women who designed the first social security law were naturally thinking in terms of the immediate problems of 1935, as well as in terms of the problems of the years ahead as best they could see them. In the light of 18 years of experience, we are now called upon to examine the effectiveness of their designs. From the vantage-point of the 83rd Congress, we are called upon to judge the handiwork of the 73rd, but, before we do, it is well to remind ourselves of the entirely different economic climate prevailing 18 years ago.

At that time there were 10½ million unemployed people in the United States. The problems of devising a system contemplating retirement were quite different in a labor market situation of that kind from those of a labor market of 62 million employed, and the number of unemployed at 1½ million. Likewise, the problem of benefit levels in an economy characterized by a gross national product of 72 billion dollars (140 billion in 1953 dollars) was quite different from that of an economy with a gross national product of 368 billion dollars.

ACCOMPLISHMENTS OF PRESENT PROGRAM

We now have had 18 years of experience in operating an old-age insurance program, and out of it certain principles have become fairly well established. True, there are many criticisms made of the

system, and many of these criticisms citing individual examples have some validity. It is not difficult in a system in which 90 million people have contributed and under which over 66 million have currently some insurance right to find even hundreds of examples of inequities and cases where the system has worked a hardship. However, the significant thing is that these instances have to be searched out. They are accidental and atypical. The important facts, far out-weighting the significance of the isolated examples which critics of the program point to, are that now 8 out of 10 jobs in paid civilian employment are covered by the security program and that, in this year, 1953, 66½ million persons are insured. Forty percent of the retired aged are now receiving monthly insurance benefits. Even under the present coverage limitations, within 5 years, about half the retired aged will be receiving benefits and by 1975 the proportion will be about 80 percent. Four out of 5 young mothers and children in the nation can count on monthly survivors' benefits if the family breadwinner dies. The face value of this survivors' insurance protection is now over 275 billion dollars.

In our discussion of social security, we frequently fail to emphasize the value of this portion of the program and think almost too much about the retirement side of it. Not all of us will reach age 65—or even wish to retire if we do. But most working men have families and it is most difficult and expensive to make provision for a wife and young children just at the time in life when the home has to be paid for and the cost of rearing and educating the children falls heaviest on the family purse.

An example will illustrate the value of this family protection:

A worker who, in the language of the Act, was "currently insured" (which means he had worked for at least a part of 6 recent quarters in employment covered by social security) and had averaged \$250 per month earnings died, leaving a young wife and 2 children, one 3 years old and the other 1 year old. His family will receive the following benefits:

1. A lump sum death benefit payable immediately...	\$ 232.50
2. \$155.20 a month for 15 years (until the older child reaches age 18).....	27,936.00
3. \$116.40 a month for 2 additional years (until the younger child becomes 18).....	2,793.60
Total	\$30,962.10

More than 5 million persons are now each month receiving benefits: 3.8 million are those aged 65 and over. The average benefit for a single retired worker is \$50.71 per month. For retired couples, it is \$76.06. The average for retired couples now coming on the rolls under the new formula is just about \$100 per month. The system is currently bringing in about \$4 billion revenue annually, with an additional \$400 million from interest. Benefits are now being paid at the rate of about \$3 billion annually. And this vast program is being administered at a total cost of less than \$100 million dollars a year, a little over 2 percent of the annual contributions.

BASIC PRINCIPLES NOW ACCEPTED

While we recognize that many improvements are needed, certain principles emerge on which there is rather general agreement:

1. The basic plan must be public and compulsory. Only a system that is organized by society as a whole, acting through government, can provide effective protection for the entire population. Our public social security programs are the solid foundation for such protection. With the assurance and the courage that such a basic foundation gives, individuals can then go on to build through their own initiative and enterprise and through collective bargaining the additional security that will strengthen and augment their own and their families' well-being.

2. The system should be financed on a contributory basis. While it is true the costs, to a certain degree, become diffused, it is also true that it is possible for those benefiting from the system to bear a direct and measurable proportion of its total cost. This gives those who look to the system for the basis of their old-age security a sense of responsibility for its soundness and for the integrity of its administration. It is a constant reminder to them that security does not come for nothing and that their government, while it can provide the machinery for group savings of this kind, cannot hand out benefits that are not first paid in.

3. Under a contributory system, benefits can properly be considered as a right, payable without the necessity of proving need. Only under such a system where the contributors' benefits are payable as a right can the value of the dignity of the individual person be maintained.

4. Benefits should be related to past earnings. We have accepted in this country a system of monetary incentives and found it to be,

all in all, highly satisfactory. It is consistent with this system to pay retirement benefits that reflect in some degree at least the differences the worker experienced during his working days. The social concept is appropriately recognized by weighting the benefit formula in favor of those having a low earnings record. If we were, however, to depart from our present system and move toward a flat benefit system, we would be moving away from one of the important concepts of our profit-motivated economy.

5. The program should be soundly financed on a long-term basis. We hear arguments today that we should go on a "pay-as-you-go" basis "so workers would be made aware of the true costs of social security". Actually, the opposite is true, since the only true costs are the actuarial costs, and failure to pay in amounts which exceed the benefit costs during the early years of the program would be the surest way possible to conceal the true costs of the system.

ATTACKS ON SOCIAL SECURITY

While the principles which I have just enumerated appear to be widely accepted, the social security program is under the heaviest attack it has experienced since 1936. Some of the attacks, like the one charging that there is no money in the trust fund, only "worthless government IOU's," do not merit consideration by a group of economists of the level of competence of the members of the IRRA.

One of the more recent lines of attack on our social security system is a concentrated and well organized publicity campaign calculated to convince the American people that their government is defrauding them by a misuse of the word "insurance". The Old-Age and Survivors' Insurance system is not insurance—so the argument runs—primarily because there is no legal contract between the insurer and the insured, and because there is no direct relationship between the contributions paid by the insured and the benefits received. In the development and peddling of this intriguing exercise in semantics the operation of the Curtis subcommittee—U.S. Chamber of Commerce axis is most clearly revealed. It can hardly be accidental, for example, that Leonard Calhoun's little political tract mistitled "Improving Social Security," published by the Chamber, comes out with the same spurious arguments against the insurance concept as were used by the Curtis committee staff in their 7-hour attempt at brain washing in the hope of getting out of Arthur Altmeyer a "confession" that he and past Congresses had lied to

the American people when they called this program "social insurance".

I confess personally to an early underestimate of the importance of this attack, having dismissed it as an insignificant word battle. It is much more than that. Behind the word battle is a conflict of fundamental issues in social security and, indeed, of fundamental principles of democratic government. An analysis of these issues is warranted.

First, let us look at the substantive question: "Is our Old-Age and Survivors' Insurance system insurance?" Of course Congress has written the insurance concept into the Act, and workers and employers have supported it in the belief that it is insurance. This is not to deny that there exist misconceptions about what kind of insurance it is. For example, many people believe that OASI is an annuity purchase plan, payable on reaching age 65. It is over this misconception that much of the confusion arises over the "work test" or the "retirement test," as it is sometimes called. If it were an annuity, then the test of substantial retirement would be unjustified, but also the costs would be materially increased. And if it were a straight annuity, it would not include the substantial protection provided survivors now contained in the law. It is insurance against loss of wage income resulting from either of two contingencies, namely, death of the family breadwinner and retirement due to old age.

Arthur Larson, Dean of the School of Law of the University of Pittsburgh, in a recent paper presented to the American Assembly ("Social Insurance Legislation: The American Pattern"—pages 20 to 58, "Economic Security for Americans"), referring to the arguments advanced by those denying the insurance principle in OASI, has this to say:

"Is it fair, then, to say that for these reasons our system is 'not insurance'? The answer is that it is still essentially insurance, with necessary modifications to effectuate its humanitarian objectives and to take account of the stratospheric level of finance involved. *The essence of the insurance principle is that small sums are periodically paid in, in exchange for which a large sum is paid back on the happening of a specified contingency: the size of the principal sum bears some relation to the size of the premiums. "Our social insurance meets this description."*

(italics supplied)

Participants in the argument over the insurance principle in OASI often ignore the simple fact that there are a great many kinds of insurance, and the fact that one kind may lack certain characteristics of another kind does not necessarily minimize or remove the essential insurance element. In fact, the word "insurance" is seldom used in practice without a limiting modifier. So we have life insurance, accident insurance, fire insurance, casualty insurance, etc., etc. The fact, for example, that the conditions of benefit payment in casualty insurance and the contingency covered are both different from those characterizing fire insurance, certainly does not indicate that either one of them is not insurance. And the fact that social insurance lacks some of the characteristics of commercial insurance does not prove that it is not insurance so long as it meets the essential elements of the insurance principle. Indeed, if the argument had any validity, it could with equal logic be turned around to show that, since commercial insurance lacks some of the characteristics of social insurance, it is not insurance at all!

Yet these points, important as they are, do not reveal the basic issue involved in the present controversy. An analysis of the Chamber of Commerce proposal and the supporting hints that have issued from time to time from the Curtis subcommittee end of the axis reveals that the heart of the proposal is to shift to the OASI trust fund the costs of aid to the present aged who are outside the system. This is the stark reality of the program when stripped of its liberal-sounding labels such as "ending discrimination among the aged" and "universal coverage." And this reveals the importance of the flimsy and shabby rationale in the denial of the insurance element in our social security program. For, if it is insurance, then the insured—being incidentally those who have paid into the system—have a right to the protection afforded by it. Also, since it is insurance, the trust fund is in fact a fund held in trust for the contributors. More important, those protected by the system do not object to paying the premiums necessary to insure themselves against the contingencies which result in loss of wages—indeed, they willingly accept the obligation.

But if it is not insurance, but a "public purpose program supported by taxation," then it is true that there is discrimination among groups of the aged. It would then also be true that the trust fund would be merely a fund, with all element of "trust" removed. But, if this is true, and the Chamber's description is accurate, then, on what concept of justice or equity can the continued payroll deductions

be justified? If all the aged without discrimination are to receive benefits from a tax-supported program—then let the tax be a fair and progressive tax based on ability to pay. If the social insurance contribution is a tax and only a tax, then it is the most unjustifiable tax of all, taking, as it does, its direct cut from the first dollar earned each taxable year and exempting earnings above \$3,600. If it is a tax and only a tax, then the exemptions should be at the bottom of the scale, not at the top.

It is right at this point that the mask is ripped from the face of this cynical scheme to rob the American wage earner, and its motive is unmistakably revealed by the fact that, with all the costly propaganda that has been dished out to convince the American public that social insurance contributions are in fact only taxes, there has been not the slightest suggestion that the burden of the taxation be shifted to a progressive tax! Thus the U. S. Chamber of Commerce would befriend and protect the interests of the wage earner!

In accepting the insurance concept, the American worker has accepted what goes with it—the payment of premiums even on the lowest earned incomes, understanding all the while that the tax mechanism was the only one available to the government for collecting such premiums for a public insurance program.

I challenge the Chamber of Commerce and its lackeys in Congress to adhere to a like consistency with respect to *their* proposal; namely, if care for all the aged is to be provided by a “public purpose program supported by taxation,” discard the present system of pay-related contributions and pay adequate benefits to all the aged—but pay them out of the general revenues of government, supported by corporation taxes and a progressive income tax.

IMPROVEMENTS NEEDED

Despite its impressive record of accomplishment, there are important gaps in our present system, and they need to be corrected. First, the remaining gaps in coverage need to be filled. President Eisenhower has repeatedly called for action in this respect and has now sent to the Congress specific proposals on ways to extend coverage to about 10 million additional persons.

Those who would be brought under the system under the President's proposal include those employees of state and local governments who elect such coverage, self-employed professional persons, such as lawyers and doctors, self-employed farm operators, hired

farm workers and domestic workers, ministers and members of religious orders in groups which elect such coverage, as well as a number of minor categories of workers left out of the program largely because of technicalities in the law.

A bill incorporating the President's proposals and having the full endorsement of the American Federation of Labor has been introduced by my fellow guest on this evening's program, the distinguished Congressman Robert Kean of New Jersey.

In addition to the extension of coverage, the American Federation of Labor believes other important changes should be made:

(1) The wage base on which the contributions are collected and on which benefits are computed needs to be brought in line with the wage levels of 1953. If workers were permitted to insure a portion of their wages up to about \$6,000 annually, a part of the problem of present inadequate benefits would be met and the relative cost of the entire program to the fund would be materially reduced. This is of particular interest to high wage workers, such as those in the building and construction trades.

(2) In addition, the benefit formula itself needs liberalization so that benefits at least keep pace with rising prices and rising living standards.

(3) The gaps, not only in coverage, but in types of protection, should be closed. The outstanding deficiency of the present program is that those who are no longer able to engage in gainful employment due to permanent physical disability are left without protection. Despite all the arguments that are frequently brought up against including disability provisions in the social insurance program, the fact remains that we are successfully operating such a program both for government employees and for the employees of the railroads. None of the dire consequences that are supposed to occur when a disability insurance program is undertaken are to be observed in these areas, where the Federal government is now operating a program covering more than 2 million workers.

Early last July a group of liberal Senators, led by Senator Lehman (D., New York), and a like group in the House introduced identical bills which embody the AFL proposals for improvements in the benefits and the establishment of disability protection.

All this sums up to, the one really big issue in social security for the year 1954 as labor sees it: Who is to revise the system? Will the job of bringing it up-to-date in terms of adequacy be done

by those dedicated to the sound and proven principles of social insurance; or will the job be left to those who, judging from their past records, seek only to discredit it by smearing it with an accumulation of trumped-up trivia in order to replace it with a public dole, however disguised with beguiling labels?

I know the working people of America believe that, when the social security system is revised, the job should be done by the friends of social security and not its enemies.

DISCUSSION

J. DOUGLAS BROWN

Princeton University

It is almost an axiom that constructive social legislation does not come easily. It takes a long period of preparation to get such legislation planned and enacted. Far longer is the period in which sound legislation must be defended time and time again from the attacks of those who because of interest or ignorance would cancel out the progress made.

The old age and survivors insurance program is no exception from this general rule. Early in its existence there was the Clark Amendment fight in which certain insurance companies sought to persuade employers to seek "contracting-out." Congress and the better informed employers saw that this was contrary to both public and private interest. The fight was won.

In 1936, there was the pay-roll envelope campaign in which an effort was made to persuade workers to disown a program developed for their protection. This campaign was defeated.

Over several years the Townsendites and their many competitors in the campaign for free pensions for all the aged were a constant threat to the survival of a contributory social insurance system. They obtained allies among those who sought to inflate our way to artificial prosperity and from those who were willing to ignore the interest of generations to come. So far, this campaign has been defeated.

Repeatedly, there has been the sniping attack of those who used the confused slogan of "double taxation" to discredit any social insurance system. Assurances by informed financial leaders and the common sense of American workers have prevented any serious consequences from these attacks.

And now we have another battle ahead of us—to meet the attack of the United States Chamber of Commerce in its proposal to undermine the old age and survivors insurance by seizing upon the trusted reserve for a baby Townsend Plan.

It is the obligation of a college professor to study thoroughly and objectively all new developments in his field. He is provided a precious resource of intellectual freedom in order to come to independent judgments. But society has a right to ask that when such judgments are determined the college professor express them politely but courageously when called upon to do so. After careful study of the Chamber of Commerce proposals in the light of long study of

the old age and survivors insurance system, I feel that I should express my views tonight.

I am convinced that the plan of the United States Chamber of Commerce for the revision of the existing old age and survivors insurance program is clever, dishonest, and dangerous for the following reasons.

It is clever because it seeks to attract support by offering free pensions to millions of older voters. This is a well worn political strategy and one to which democratic government is peculiarly sensitive.

It is clever because it attacks a straw man—"insurance"—which the social security program never was, and avoids the reality—"social insurance"—which is as much an established concept as "industrial relations" or "collective bargaining."

It is clever because it uses the "gimmick" of the questionnaire to give the appearance of understanding support where questionnaire returns are so often based on the easy philosophy of giving the inquirer what he wants.

It is clever because it plays up the arrangements of a passing, transitional stage in the old age and survivors insurance program and plays down the long-run conditions and objectives.

But the plan is also dishonest because it proposes the misappropriation of trustee funds from the purpose for which they were committed when their collection was approved by the Congress and the people.

It is dishonest because it hides its real purpose of holding down future old age insurance benefits by talking of equity, sound financing, and stability which its very plan denies. The term "basic floor" as used by its sponsors sound peculiarly like "basement floor" of protection for the aged.

But the plan is also dangerous because it undermines the bulwark of the contributory principle in keeping old age insurance separate from relief.

It is dangerous because it opens the flood gates on political pressure for free old age pensions on a nationally financed basis.

It is dangerous because it discounts incentive and adds to the obstacles to maintaining the concept of differential gain for differential effort which is at the heart of the free enterprise, competitive system. It is truly a radical proposal!

It is dangerous because it would impair the reputation of the United States in fulfilling a trust—in trade for a mess of potage—the saving of current taxes in support of old age assistance.

I am convinced that the thinking industrialists of the United States do not want this plan one half as much as the staff of the Chamber of Commerce. I am convinced that the Townsend Plan for free old age pensions, of which this is a trimmed-down version, whether spawned in Los Angeles or in Washington, provides a primrose path to governmental paternalism, inflation, and insecurity for the old people it is supposed to benefit.

PETER SEITZ

Vice President, Liebmann Breweries, Inc.

The pleasure I enjoy at the honor of having been designated as a participant in this discussion of social security by this distinguished panel is equaled only by my bewilderment as to why I was selected at all. Although I labored in the vineyards of the Social Security Board and the Federal Security Agency from 1935 until 1941 I have had no responsibility or intimate association with its problems since that date. My views are entitled to no more weight than those of the average, insufficiently-informed, businessman. However, although no expert, I am prepared to struggle to the death with anyone equally inexperienced who holds contrary views. I yield only to experts and, of course, I qualify as experts only those whose opinions are consistent with mine and who are capable of a more persuasive articulation of their opinions.

It should go almost without saying that I do not represent the views of the company with which I am associated excepting as they reflect the excellence of its product and its industrial relations policies; nor do I represent any industry group or industry generally.

It is not in jest that I mentioned my bewilderment. As in most debates on far-reaching programs in this country with respect to which interest groups take different sides, one is asked to join the legions either of the Guelphs or the Ghibbelines. At the time I wrote these remarks, I was not certain, with respect to the controversy raised by the U. S. Chamber of Commerce proposal, whether I was a Guelph or a Ghibbeline, although I was inclined to the view that I was a Guelph. Whether in fact I was a Ghibbeline, I leave to your determination based on my remarks.

The Deep Thinkers, like me, like to read the literature and the issues and to hear and understand the arguments before making up their minds. One of the difficulties in doing so stems from the fact that after reading the Chamber proposal and comments made about it by its proponents and its opponents, I have the impression that it changes its form and its shape from time to time. It has been seriously urged upon me, for example, by some of the *opponents* who purport to understand it, that it completely abandons the contributory principle in social security and that it would level *all* benefit payments in the OASI program to a basic minimum. Mr. Campbell's paper, which he was kind enough to make available to me several days ago, however, seems to contemplate the continuation of the tax features of the social security program, the continuation of variable benefits based upon the scale of previous earnings and even suggests, with regard to old age assistance beneficiaries who would be blanketed-in, that they might turn over their first OASI check in the sum of \$30, (a sum which used to be \$25 in the Chamber's proposal) to the reserve fund. Opponents of the proposal may well feel that this is by no means a satisfactory maintenance of the contributory principle and other basic principles embodied in the program. However, I am assuming that Mr. Campbell's exposition tonight actually represents the basic features of the current Chamber proposal, and it is to that paper that I address my remarks. I really cannot find it possible to criticize opponents of the Chamber's original proposal for their general opposition. In many respects the literature that has been put out by the Chamber was unnecessarily provocative, unfair in some of its arguments, and, worst of all, unclear as to what the Chamber desired to accomplish. At least we now have, in Mr. Campbell's paper, a more lucid and helpful statement of the Chamber's recommendations to Congress than I have previously read. But there are still important gaps in my understanding that I would want Mr. Campbell to fill in.

Before proceeding further, I think it might be well to say a word about the totally unpersuasive kind of semantic argument which I find in Mr. Campbell's paper and in the literature supporting the Chamber's proposal. It serves no constructive purpose, in my judgment, to argue with a wealth of learned detail that the present statutory program is not truly "insurance" as the actuaries, technicians and other high priests of that religion would define it. It appears to me, as a non-expert and non-technician in the field, that there are sufficient aspects of the current legislative program to warrant employment of the term "insurance". Certainly, even though

no legally recognized contract right is involved in the claim for benefits, there is ample justification for those who are paying social security taxes and those who are receiving benefits to regard themselves as being embraced in a system which, for want of a better term we call "social insurance". As one who was associated with that program in the early days and who worked on the briefs in the Supreme Court in the court tests of its legality, I would never claim that this is a pure insurance setup; nor would I be inclined to be favorably disposed to any proposals for modification simply because they were based primarily on the rather tenuous argument that no contract rights were involved. The argument as to insurance and contract rights is unimportant and irrelevant. Some of the protagonists of the Chamber's proposal overlook the fact that the 1935 Act was written in a constitutional atmosphere which made necessary the use of various legal fictions and drafting devices to ensure Supreme Court validation. Title VIII had to be, and was supportable as a tax; and this made it both undesirable and improper to use the holy word "insurance" in the early stages. There was nothing reprehensible or even questionable in doing this. To suggest that there was is to be incredibly naive. The Act was attacked on the ground that Titles VIII and II were part of a single system. The Supreme Court was not in any way deceived as to what was contemplated. In my opinion it is hardly cricket, now that the constitutional battles are passed, to argue these superficial legal aspects of the program rather than the substance in connection with a plan for modifications.

Having taken issue with one aspect of the type of argument used by the Chamber, I want to say that I am in deep sympathy with the Chamber's concern over the failure of the grant-in-aid program for old age assistance to diminish in size as contemplated. Many of the criticisms of the state program for old age assistance made by the Chamber and Mr. Campbell are well taken. The states are in a better financial position today in relation to the Federal Government than they were in 1935; some states have shown a lack of reserve and self-discipline in the face of lobbies for old age assistance; for the purpose of argument I am willing to concede that there may be some water in State benefits, although I am assured by others that this is not so in any significant degree; while it may be fine to use states as insulated laboratories for experimentation, I cannot help but deplore the wide variation in grants and the methods of determining need. These are serious and deep problems for the solu-

tion of which the proponents of the status quo must address themselves and they should feel obliged to come up with an answer.

But there are several features in the substance of the Chamber's proposal which cause me concern. There is not enough time to refer to all of them. One important problem involves the blanketing of all old age assistance recipients into the Federal system and to give them a minimum benefit of \$25 or \$30. It is my impression that California residents, on the basis of a needs test, get an average state grant of about \$69. The figure in New York is around \$56, and the figure in Colorado is about \$84. A state recipient of old age assistance who requires \$56 to \$84 for subsistence, based on a needs test, will, when he is placed on the Federal rolls for \$30, require some supplementation in order to keep himself and his family alive. Businessmen, as well as old age benefit recipients have the right to ask where that supplementation will come from and the Chamber has not yet answered the question. One possibility is that the blanketed-in old age assistance beneficiary will pressure for the receipt of at least average OASI grants which, I believe, are somewhere in the vicinity of \$50. If this is done, one can expect a hue and a cry to be raised by those who are presently in the OASI program to raise their benefit level to the \$50 which would be afforded to the non-contributing newcomers. I doubt that very much money will be saved in this operation. Another possibility is that after receiving his \$30 benefit from the Federal system, the blanketed-in former state assistance beneficiary will apply to his state for supplementary benefits on a needs basis. I find some difficulty in understanding what advantage is gained by requiring him to file his applications in two jurisdictions rather than in one. Indeed, it would seem to me that there is some virtue in the administration of a needs test on a state rather than on a Federal basis because of the diversity of economic conditions and levels of living throughout the country.

Mr. Campbell's suggestion that the contributory feature with regard to these blanketed-in individuals might well be served by requiring them to hand over their first \$30 check to the Federal treasury has not, I am sure, been thought through. We are talking here about people who have been certified as the *needy* aged, and it is entirely unrealistic to expect such individuals, in consideration of being blanketed-in to the Federal system for benefit payments below those which they had heretofore received from the State, to agree to hand over their first monthly benefit check from the Federal Govern-

ment. For political, if not for humanitarian reasons, I am confident that there will be few who will be inclined to support this suggestion of Mr. Campbell's which, I am sure, he makes facetiously.

Another difficulty, in my mind, involves *both* the proponents of the status quo and the Chamber. I am not arguing for anything, not being an expert. I am only asking that light be shed with respect to the following: As an individual, when I purchase a life insurance policy or an annuity, I do it with the faith that changed economic conditions at the time my rights mature will not result in a drastic diminution of the value of the benefits for which I contracted. In other words, if I should receive an annuity of \$50 a month from an insurance company twenty years hence and the \$50 at 1974 prices only buy \$10 worth of goods, I have no complaint against the insurance company. I cannot ask that the contract contain an escalation provision related to price levels. But a social security program of the government, at a minimum, undertakes to give a sense of security to future beneficiaries that they will be adequately compensated on retirement for the wage loss they will suffer at that time. Businessmen have a right to know, in the event of a raise in price level in 1974 or 1984 where the present program is going. To quiet the fears of those whose security is sought to be, in some degree, assured, their organizations, in the event of a rise in price and wage level will seek supplementation of benefits from one of two sources: the Federal Government or the collective bargaining table. Let me acquaint you with Seitz's Law of Tea Kettles. This law holds that if you place your finger on the lid of a boiling kettle, the steam will emit from the spout. If the Federal Government does not up the present benefit scale to keep pace with the increase in the wage loss, the demands will be made at the bargaining table. If employers can meet these demands, the employees represented by the unions will be happy and fortunate. This will not be the lot of others who will have no unions or employers to guarantee their security. One may well ask with a Milt Grossian eversorising inflection "Is this a system?" These reflections raise the question whether, indeed, it is possible, over a long period of time, with a rising price level and wage rates to administer a satisfactory system of old age security *with a static and fixed benefit structure and tax rate*. If the wage changes between 1935 and 1970 will be similar to the kind of wage changes which took place between 1900 and 1935, we may be presented with the necessity of radical changes in our system, the character of which it is difficult for us to envisage now.

This presents a problem to the defenders of the present system that I should like to hear them answer. But a pay as you go plan, such as the Chamber seems to support, necessarily involves recourse to an income tax levied at *progressive*, rather than at fixed rates as provided in the present Act. This looks a lot like the current English system of financing social insurance which has been vigorously assailed in this country as stifling initiative and incentive. Is the Chamber advocating such financing? Is it so blind as not to appreciate the fact that abandonment of the contributory principle and full adoption of a pay as you go program will have the political result, as Nelson Cruikshank has indicated, in placing the entire financial load upon general revenue. It means abandonment of the important employee tax. Is it likely that labor unions, once the contributory system is weakened will go for a continuance of the social security tax on employees? Oh Townsend! Art thou, all unbeknownst to its dues-paying members, treading softly in the marble halls of the Chamber?

These remarks, I am afraid, represent the thinking of the only partially-informed businessman in the street. But the social system is one that vitally affects the man in the street, be he businessman, union delegate, or worker. There has been much fancy talk and argument on the subject of our social security system, but my own apprehensions and concern will not be quieted until the answers to these and like problems are made clearer and much more lucid.

Part VII

MOBILITY OF INDUSTRY AND LABOR IN THE UNITED STATES

NOTE BY THE EDITOR

This part of the proceedings represents a slight departure from the usual plan of an Association meeting with papers followed by critical discussants' comments. At this session the Program Committee arranged for the prior preparation of the first paper devoted to the statistical presentation of employment trends from 1939 through 1952, which was given rather wide distribution. This analysis by Mr. Wolfbein is included under the title "The Changing Geography of American Industry". Thereafter panel participants presented the other papers, each devoted to one aspect of the significance of these trends.

THE CHANGING GEOGRAPHY OF AMERICAN INDUSTRY

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IN THE SPRING of 1953 the Bureau of Labor Statistics made available for the first time its estimates of employment in the nonagricultural segment of the economy in a continuous series beginning with 1939, for the U. S. as a whole and for every state, classified by industry detail.¹ Available also on a current basis and—for more recent years—for about 100 major labor market areas, these data present the analyst with an important body of information on the changing and differential geographic patterns of employment in this country.

Underlying these data are a complex and wide range of forces which have combined to give us the kind of employment distribution we have today. Cyclically, of course, the period begins with the end of almost a decade of depression and continues for a dozen-odd years of almost uninterrupted high levels of economic activity. In addition, it includes all of World War II and most of the Korean War and therefore reflects such diverse factors as differential industry trends under the stress and strain of mobilization, the locational aspects of national security requirements and the establishment of new armed forces installations. The period also witnessed major advances in the development of our natural resources, especially in petroleum, gas and hydro-electricity.

Paralleling all of these were longer range forces such as technological improvements, new research and development and differential industry growth—all causing substantial and significant state and regional differentials in nonagricultural employment. By the same token, these differentials also have had many important economic consequences, have generated major organizational and structural changes in local labor market areas, and have had significant manpower and industrial relations implications.

Since the consequences and implications of these movements will be discussed by a panel of experts, this paper is limited to the presentation of the basic data and a few analytical tables and summary statements which are intended to touch upon some of the basic trends

¹ U. S. Department of Labor, Bureau of Labor Statistics, *Employment and Payrolls*, April 1953 (Annual Supplement Issue).

shown by the figures and, in turn, to serve as the context to which the panel may refer.²

I.

1. Between 1939 and 1952 nonfarm employment in the U. S. increased from a little over 30 million workers to 48 million workers—a rise of almost 60 percent, triple the corresponding rate of increase in the population over the same period of time.

2. All states and regions increased their nonagricultural employment, but a tier of states rimming the country all the way from the West, through the Southwest, Gulf and South Atlantic borders led the Nation in employment growth between 1939 and 1952. Many of the states in these regions experienced huge expansions in the number of nonfarm jobs. Perhaps most significant of all among the states, especially in view of the magnitude of jobs they account for, are California and Texas—both of which more than doubled their employment over this period of time. In 1952, California and Texas accounted for a little short of 6 million nonfarm jobs, about one out of every 8 in the United States.

Continuing along the border of the U. S., the two other regions—the New England and Middle Atlantic States—tell an opposite story. They showed the smallest rates of increase since 1939. With the exception of Connecticut which expanded its employment in the field of finance and insurance and where concentrations of metalworking industry exist, all the states in these regions experienced employment gains substantially below the national average.

In between these two extremes, the interior of the country—the East and West North Central regions—made employment gains which were just about at the national average. In these regions, the states with the major increases in jobs since 1939 were those where major new production capacity for munitions production were added, e.g., Kansas and such metalworking states as Ohio, Indiana and Michigan.

3. A close examination of differential industry trends goes a long way toward explaining a good deal of the geographical changes in employment since 1939.³ For example, during this period of time

² Much of the succeeding material will appear in the forthcoming IRRA volume on *Manpower in the United States* in a Chapter on "The Changing Geographic Distribution of Nonfarm Employment."

³ It might also be noted parenthetically that they also had a great deal to do with the differential occupational trends during this period. Note, for example, the effect of the enormous increase in construction on employment of skilled craftsmen.

TABLE 1

Nonagricultural Employment in the United States, by State and Region, 1939-1952

State and Region	Employment		Percent Increase 1939-1952	State and Region	Employment		Percent Increase 1939-1952
	1939 (000)	1952			1939 (000)	1952	
<i>United States</i>	30,310.9	47,939.5	58.2	District of Col.	328.3	522.8	59.2
<i>New England</i>	2,582.4	3,480.0	34.8	Virginia	533.3	878.6	64.7
Maine	211.6	278.4	31.6	West Virginia	368.3	521.1	41.5
New Hampshire	145.0	170.2	17.4	North Carolina	612.3	987.3	61.2
Vermont	74.8	99.5	33.0	South Carolina	302.3	524.0	73.3
Massachusetts	1,350.4	1,781.2	31.9	Georgia	512.2	873.5	70.5
Rhode Island	241.4	304.7	26.2	Florida	385.3	792.4	105.7
Connecticut	559.4	846.0	51.3	<i>East South Central</i>	1,438.4	2,400.8	66.9
<i>Middle Atlantic</i>	8,094.6	11,321.0	39.9	Kentucky	376.7	604.5	60.5
New York	4,178.0	5,864.5	40.4	Tennessee	463.3	806.7	74.1
New Jersey	1,244.3	1,789.9	43.8	Alabama	397.5	671.5	68.9
Pennsylvania	2,672.3	3,666.6	37.2	Mississippi	200.9	318.1	58.3
<i>East North Central</i>	6,866.2	10,900.9	58.8	<i>West South Central</i>	1,983.5	3,722.5	87.7
Ohio	1,758.7	2,954.1	68.0	Arkansas	196.1	314.1	60.2
Indiana	813.7	1,345.5	65.4	Louisiana	393.4	673.1	71.1
Illinois	2,279.1	3,313.0	45.4	Oklahoma	323.3	520.1	60.9
Michigan	1,348.1	2,207.9	63.8	Texas	1,070.7	2,215.2	106.9
Wisconsin	666.6	1,080.4	62.1	<i>Mountain</i>	792.8	1,431.6	80.6
<i>West North Central</i>	2,455.6	3,841.8	56.5	Montana	108.4	154.1	41.2
Minnesota	538.6	828.8	53.9	Idaho	83.9	137.3	63.6
Iowa	427.3	630.2	47.5	Wyoming	53.9	85.8	59.2
Missouri	821.2	1,263.9	53.9	Colorado	228.7	412.5	80.4
North Dakota	72.5	114.2	57.5	New Mexico	78.7	168.0	113.5
South Dakota	85.4	122.0	42.9	Arizona	94.2	195.9	108.0
Nebraska	217.2	341.4	57.2	Utah	110.3	213.4	193.5
Kansas	293.4	541.3	84.5	Nevada	34.7	64.6	86.2
<i>South Atlantic</i>	3,604.0	5,989.7	66.2	<i>Pacific</i>	2,493.4	4,851.2	94.6
Delaware	74.7	133.7	79.0	Washington	424.1	731.3	72.4
Maryland	487.3	756.3	55.2	Oregon	257.3	457.7	77.9
				California	1,812.0	3,662.2	102.1

Source: U. S. Bureau of Labor Statistics.

TABLE 2
*Percent Increase in Nonagricultural Employment by Major Industry Division and by Region
1939-1952*

MAJOR INDUSTRY DIVISION	REGION									
	U. S.	New England	Middle Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific
Construction.....	120.1	79.7	75.9	143.1	101.5	119.2	140.3	151.4	152.7	178.0
Government.....	67.6	39.6	50.3	55.6	34.3	90.8	69.7	86.1	88.4	133.7
Manufacturing.....	60.7	30.9	44.3	69.6	89.4	48.5	65.8	100.0	104.7	123.7
Trade.....	55.0	31.5	37.1	47.8	48.6	79.9	83.4	88.6	79.4	68.4
Service.....	54.7	41.2	47.7	47.7	47.0	60.7	63.6	70.0	84.9	73.4
Transportation and public utilities.....	45.1	23.7	29.6	45.2	49.9	52.2	45.3	65.5	58.2	66.4
Finance.....	42.0	49.6	12.6	32.1	52.5	86.2	101.7	102.7	130.5	72.2
Mining.....	6.6	-29.2	-16.6	-4.7	14.1	12.7	-10.8	65.5	10.7	-15.4

Source: U. S. Bureau of Labor Statistics. These data also available by State, by month and year in a continuous series since 1939.

the major industry divisions experienced the following trends among the different regions (Table 2):

The construction industry, the traditionally volatile segment of the nonfarm economy, lived up to its reputation and showed by far the greatest relative employment increase, double that of manufacturing. Construction accounted for a larger share of nonfarm workers in 1952 over 1939 in 46 of the 48 States. Construction employment more than tripled during this period of time in 6 States, more than doubled in another 22 States. Some idea of the geographical differentials in rates of growth in this expanding industry can be illustrated as follows: Construction is the only major industry division (except for the small mining group) in which California outranked New York in the number of workers in 1952; in 1939 California had only half as many workers in this field as did New York.

Much of the same kind of story on differential geographical trends in industry growth can be told for the other industry divisions. In manufacturing, which accounts for the largest single block of nonfarm workers, these differentials apparently were the major cause of the general shift of nonagricultural employment westward since 1939. Individual industry changes which cannot be detailed here played important roles in this movement. For example, in the face of a 60 percent increase in manufacturing employment between 1939 and 1952, the textile industry showed a decline of $2\frac{1}{2}$ percent. This not only explains an important part of the New England story, but also explains some of the significant changes in the composition of nonfarm employment in other states and regions. Illustrating again, manufacturing accounted for 52 percent of North Carolina's nonfarm employment in 1939 and only 45 percent in 1952, mostly because of the relatively low rate of increase in textile employment during this period. The outstanding gains in manufacturing employment were concentrated in the West and Southwest, especially in California and Texas.

A few other examples will suffice: In the field of trade, the older and larger centers generally lost ground. Among the ten States with employment in trade in 1952 of at least 300,000, seven showed increases since 1939 well below the national average of 55 percent. Among these ten, however, were Massachusetts with a gain since 1939 of half of the national average and Texas with a gain double the national average. The extractive industries which showed the smallest increase during this period of any industry division included

Texas with a gain of 90 percent and Pennsylvania with a loss of 20 percent. In industry after industry, New England lost ground, making employment gains which were only about half the national average in such important fields as manufacturing, transportation and construction. But in the field of finance, it increased its share of jobs.

4. Because of the extraordinary nature of the period covered, much more insight into the magnitude and permanence of the shifts reviewed so far can be obtained by noting the timing of some of the changes. The summary tabulation in Table 3 is illustrative.

TABLE 3
*Percent Increase in Employment Among Major Industry Divisions
1939-1943 and 1943-1952*

Major Industry Division	1939-1943	1943-1952
All industries.....	39.0	13.8
Construction ¹	85.8	18.5
Manufacturing.....	73.3	-7.3
Government.....	51.7	10.5
Transportation and public utilities.....	23.8	17.2
Mining ¹	16.4	-8.4
Service.....	15.5	34.0
Trade.....	8.5	42.8
Finance.....	2.3	38.8

¹ 1939-1942, the latter year being the peak year in employment in these industries.
Source: U. S. Bureau of Labor Statistics.

The peak of the war effort in terms of employment expansion was reached in 1943, when nonfarm employment totalled about 42 millions—a 40 percent increase since 1939. There is no other recorded period in American industrial history which saw anywhere near such an expansion in so brief a time. During this period, the industries most closely allied to mobilization and war, i.e., construction, manufacturing, and government, showed by far the biggest increases in employment, while finance, trade and service showed the smallest, as was to be expected. Just about the opposite trend, however, was recorded in the postwar period, with the latter three major industry divisions leading in employment gains which were about triple that of the national average.

These and other differential industry movements shown in Table 3 have had an important effect on the *trend* in the geographical shifts in employment in the U. S. (Cf. Table 4). Differential rates

of growth among regions were just as marked in the period 1943-1952 as they were during 1939-1943, but they were by no means always in the same direction. The West South Central States led, of course, by Texas ranked second and the New England and Middle Atlantic States ranked quite low in both periods. In these cases comparative growth and decline was continuous since 1939. The Pacific Coast, leader by far in the first period, ranked sixth in the later period, while the West North Central States, tied for last place in the first period, were among the first three regions in the postwar years.

The large increments in employment in such sectors as finance, service and trade as well as the continuing growth in construction

TABLE 4
*Percent Increase in Employment Among Regions
1939-1943 and 1943-1952*

Region	1939-1943	1943-1952
Pacific.....	69.5	14.8
West South Central.....	48.1	26.7
South Atlantic.....	43.1	16.1
East South Central.....	42.5	17.2
East North Central.....	40.4	13.1
Mountain.....	35.1	33.7
New England.....	30.9	2.9
Middle Atlantic.....	29.5	8.0
West North Central.....	29.5	20.8

Source: U. S. Bureau of Labor Statistics.

explain much of the difference in movements during both periods. Very sizeable increases in trade and service and the atomic energy program (in New Mexico) were the main factors in the Mountain States' leading position in the postwar period; similarly, increases in trade and construction were chiefly responsible for the postwar expansion in the West North Central States. Only four States were unable to hold all their wartime gains. These were Rhode Island where textile employment fell, and Washington, Maryland, and Maine where large decreases occurred in aircraft and shipbuilding.

5. The concentration of many nonagricultural activities in specific states and regions are also shown by the data and brings up the question of the extent to which states depend on one or two major industries for a significant part of their total nonfarm employment and the extent to which this has or has not been modified after more

than a decade of high levels of economic activity. Table 5 lists, for both 1939 and 1952, the ten ranking states in terms of the proportion of nonfarm employment in each which is in the eight major industry divisions. The Table shows a number of interesting differences among the different industries and some significant changes since 1939 which will be commented upon very briefly here.

TABLE 5
Industrial Concentration Within States
1939-1952

A. Mining as Percent of State's Nonfarm Employment			D. Transportation and Public Utilities as Percent of State's Nonfarm Employment			G. Service as Percent of State's Nonfarm Employment		
	1939	1952		1939	1952		1939	1952
West Virginia	28.0	22.1	Wyoming	21.2	18.3	New Mexico	17.9	13.6
Nevada	17.9	6.3	Nevada	15.8	13.6	Arizona	15.9	12.3
Kentucky	14.6	8.7	Montana	15.2	15.1	Nevada	15.3	23.4
Wyoming	13.9	11.7	Utah	14.4	()	California	15.3	12.7
New Mexico	12.5	8.9	Kansas	13.9	12.5	New Jersey	15.3	()
Oklahoma	11.6	8.9	Nebraska	13.0	12.8	Oklahoma	14.0	()
Arizona	11.5	6.5	Florida	12.9	()	Nebraska	13.9	13.0
Montana	11.1	7.5	North Dakota	12.8	()	Florida	13.2	14.9
Utah	9.3	6.3	Louisiana	12.8	12.5	D. C., Texas	13.2	()
Pennsylvania	7.5	()	Texas	12.7	()	Colorado	()	14.3
Texas	()	5.6	Idaho	()	12.5	New York	()	13.4
			Minnesota	()	11.2	Wyoming	()	12.4
			New Mexico	()	11.2			
B. Construction as Percent of State's Nonfarm Employment			E. Trade as Percent of State's Nonfarm Employment			H. Government as Percent of State's Nonfarm Employment		
	1939	1952		1939	1952		1939	1952
Delaware	7.2	8.0	North Dakota	30.2	31.6	D. C.	43.9	52.2
Wyoming	7.0	8.0	Florida	29.1	30.2	South Dakota	31.5	28.7
Mississippi	6.9	()	Iowa	28.6	26.1	North Dakota	28.0	27.3
Florida	6.9	9.4	Nebraska	28.1	27.6	New Mexico	24.9	23.0
Texas	6.5	7.7	California	27.9	()	Mississippi	24.6	21.4
Nevada	6.0	10.4	Idaho	27.2	26.0	Nebraska	22.8	()
D. C.	5.7	()	South Dakota	27.0	30.0	Montana	22.7	()
Colorado	5.7	()	Texas	26.9	26.5	Idaho	21.7	()
New Mexico	5.4	()	Minnesota	26.6	25.3	Arkansas	20.9	()
Va.-Ga.-Mont.	5.3	()	Missouri	26.6	25.3	Kansas	20.7	()
South Carolina	()	11.0	Colorado	26.7	25.2	Utah	()	27.5
Kentucky	()	9.3	Montana	()	25.2	Oklahoma	()	20.6
Louisiana	()	8.3				Arizona	()	20.2
New Mexico	()	8.1				Washington	()	20.1
Arizona	()	8.0				Colorado	()	19.7
C. Manufacturing as Percent of State's Nonfarm Employment			F. Finance as Percent of State's Nonfarm Employment					
	1939	1952		1939	1952			
Rhode Island	52.9	47.4	New York	9.0	6.9			
North Carolina	52.4	43.8	Illinois	6.1	4.7			
Connecticut	50.3	50.9	California	5.3	4.5			
South Carolina	47.9	()	D. C.	5.0	4.4			
New Hampshire	47.3	47.5	Missouri	4.9	4.4			
Michigan	46.5	48.9	Connecticut	4.9	4.8			
New Jersey	46.5	46.1	Minnesota	4.8	4.6			
Maine	44.7	()	New Jersey	4.6	()			
Indiana	43.0	45.3	Nebraska	4.4	5.1			
Ohio	42.9	44.6	Delaware	4.3	()			
Delaware	()	44.3	Massachusetts	()	4.7			
Wisconsin	()	43.2	Florida	()	4.5			

Note: () = Not among first ten.

In *mining*, unlike the other industry divisions, there is a substantial range when one lists the first ten states in terms of the proportion of their nonfarm workers dependent for employment on mining. The range extended, in 1952, from more than one out of every five in West Virginia to only about one out of twenty in Texas. Perhaps this is to be expected in view of the kind of geographical distribution of our natural resources. It is interesting to note the disappearance of Pennsylvania from the list of the first ten states, but perhaps of more significance is the across the board decline in the dependence of the States' economies on mining for employment of their wage and salary workers. The decrease was notable for each of the states listed, but was particularly sharp among the Rocky Mountain States. This, of course, does not necessarily mean that the number of workers engaged in mining decreased in these states; the increases in other employment activities were much larger.

The story in *construction* for the period 1939-1952 was quite different. Every state except Pennsylvania made the first ten in both 1939 and 1952 in mining; half of the states disappeared from the same list for construction between 1939 and 1952. Construction employment in 1939, after almost a decade of depression, did not account for a very significant portion of any state's workers — even in the ranking states for this industry. In 1952, however, there were several states where construction accounted for about one out of every 10 nonfarm workers. In fact, Delaware, which led the list in 1939 with 7.2 percent of its nonfarm workers in construction, wouldn't have made the list in 1952 with that percentage—and just about made it with a percentage of 8.0.

Manufacturing, of course, is the example par excellence of an area of concentration of employment (one out of every three nonfarm workers is engaged in this field). The leading states in manufacturing include most of those we would expect to find on the list, e.g., Connecticut, Rhode Island or New Jersey on the East and the heavily industrialized areas like Ohio, Michigan and Indiana in the central part of the country. However, some of the most significant changes between 1939 and 1952 seem to have occurred in manufacturing, particularly with the drop in the importance of manufacturing in the economies of the Carolinas. In North Carolina, the decrease in relative importance of manufacturing seems to have been taken up by the various other nonagricultural activities, giving the state the appearance of a much more diversified industrial base.

In *transportation and public utilities*, it is the railroad industry which is the most important factor accounting for the ranking of states in both 1939 and 1952. Confined almost entirely to the Rocky Mountain States and central plains areas, the states involved are mainly major railroad shop centers, especially for the important Western interstate railroads. The list is a comparatively stable one as between 1939 and 1952. *Trade* (the second largest area of concentration) and *Service* rank most important as the major nonfarm activity most often in the less industrialized states, as is to be expected, but the list for *Finance* is heavily weighed with industrial states. Every state on the list for *Government* had at least 1 out of every five of its nonfarm workers depending on this category (which, of course, includes state and local as well as Federal activities). Aside from the District of Columbia, every one of the states for both 1939 and 1952 were west of the Mississippi, mostly, of course, in the less industrialized states.

6. The interregional differential trends in employment since 1939 were so numerous that it is quite impossible to even enumerate them here. Some have been pointed out briefly above; one other example can be mentioned here.

One of the most interesting developments during this period has been the passing of the Middle Atlantic States (New York, New Jersey, Pennsylvania) from its long time hegemony in nonfarm employment in this country. For years, if not decades, these three states had the largest single concentration of nonagricultural employment in the U. S. Thus, in 1939, the Middle Atlantic States accounted for the largest proportion of employment in every one of the eight major industry divisions. By 1952, this region had lost its leadership in three important industries. The growing importance of petroleum and gas has put the West South Central States (Arkansas, Louisiana, Oklahoma and Texas) ahead in the field of mining; the Great Lakes States of the East North Central region (Ohio, Indiana, Illinois, Michigan and Wisconsin) have taken over the leadership in the number of employees in construction; and these same Great Lakes States have also gone ahead in the most important area of manufacturing jobs.

As a result, the industrial complex that makes up the Great Lakes States is now less than one percentage point behind the Middle Atlantic region in the share of all nonfarm jobs they account for, and if this trend continues they may take over as the area of the greatest concentration of nonagricultural employment in the United States.

The major factor in this development seems to be the shift in manufacturing jobs, where the leadership was taken over by the Great Lakes States during the war and has been maintained since:

Year	Percent of all manufacturing jobs in the U. S.	
	Middle Atlantic	East North Central
1939	28.9	27.6
1940	29.0	28.3
1941	28.8	28.6
1942	27.6	27.7
1943	26.6	27.9
1944	26.7	28.3
1945	27.4	28.1
1946	28.0	28.9
1947	27.4	29.1
1948	27.4	29.5
1949	27.1	29.2
1950	26.6	29.7
1951	26.2	29.5
1952	26.0	29.1

II.

All of these forces have added up to some very significant changes in the location of American industry. Certainly, the evidence points toward the fact that the center of nonagricultural employment in the U. S. has and is moving Westward. Considering again the comparatively short time period covered and the very large numbers involved, some of the percentage changes have been enormous. When taken together with the accompanying geographical changes in industrial industries, one gets a great deal of perception on some of the more basic trends affecting our economy. To cite but one — and perhaps minor — example: Even though it is among the smallest of the major industry divisions in the nonagricultural sector, these developments in the construction industry — especially its great growth since 1939 and its continued high levels of activity — go a long way toward explaining such diverse trends as the continued growth in the number of and proportion of our employed population in the skilled crafts, its obvious effects on apprenticeship programs and the relevant wage and industrial relations practices, as well as providing some of the more dramatic instances of upheavals in local labor market manpower and industrial relations problems.

There is, however, one point about these geographical changes which might be mentioned — even though it perhaps violates the

restraint put upon this writer not to interject himself into the analytical part of the program which is the domain of the panel of experts. Before presenting the detailed facts and figures which are attached, we make this point :

It seems to this writer that the basic geographical structure of American industry, strongly tempered as it has been by the developments summarized so far, is still very much like it was a dozen odd years ago. The concentration of industry and commerce, the concentration of job opportunities, the concentration of manpower requirements and labor supply remain to a significant extent in the regions and states where they had been more than a decade ago.

As already indicated, the differential geographic growth of manufacturing has been significant. Contrast the gain in manufacturing jobs in, say, California or more than 150 percent between 1939 and 1952 with Massachusetts which registered a gain of only 25 percent during this period. But when all is said and done the fact remains that one out of every three factory jobs in the Nation is still found in the 9 States comprising the New England and Middle Atlantic regions. The summary in Table 6 is evidence on the same point: Despite some of the very important geographic changes, the first 15 States in size of manufacturing employment in 1939 were exactly

TABLE 6
*The First 15 States in Size of Manufacturing Employment
1939 and 1952*

State	Employment		Rank	
	1939 (000)	1952	1939	1952
New York.....	1,299	1,934	1	1
Pennsylvania.....	1,040	1,494	2	2
Ohio.....	754	1,315	3	3
Illinois.....	796	1,248	4	4
Michigan.....	626	1,110	5	5
California.....	384	892	8	6
New Jersey.....	579	810	6	7
Massachusetts.....	569	740	7	8
Indiana.....	350	615	9	9
Wisconsin.....	256	460	12	10
North Carolina.....	321	432	10	11
Connecticut.....	281	423	11	12
Texas.....	180	402	15	13
Missouri.....	234	373	13	14
Georgia.....	189	304	14	15

Source: U. S. Bureau of Labor Statistics.

the same 15 States with the largest manufacturing employment in 1952.

Going to quite different sectors of the nonfarm economy — trade and finance — we find a similar story. Important geographic differentials in the growth of trade employment are in evidence throughout the period since 1939. Florida's great popularity as a resort center, the expansion of trade around large military bases in many of the Southern and Western States, the emergence of Dallas and Los Angeles as major style centers are all significant examples of some of the factors which have generated the regional and state differentials in employment in trade. But this does not obviate the fact that 22 percent of the more than 10 million jobs in trade are still concentrated in just the three states of the Middle Atlantic region. Similarly in the field of finance, large financial, insurance and real estate centers have grown in such places as Houston or Los Angeles and San Francisco. But New York still accounts for one of every five jobs in this field.

Any assessment of the changing geographic distribution of nonfarm employment, whether it be from the point of view of changing market demand for products, differential job opportunities, structure of manpower requirements or regional wage differentials, must therefore include a balance between these two factors: the continued regional and state concentrations in each of the industries, tempered by the significant, yet slow, evolutionary and long-term changes in the location of employment in the United States.

One other conclusion of vital importance seems to emerge from the record employment and industry changes since 1939. This record appears to underscore and reaffirm the basic principle that internal migration is extremely important to the maintenance of high levels of employment in this country. It might in fact be said that the great growth in nonfarm employment during this period could not have been consummated without the accompanying (and very large) internal migration.⁴

The basic differential fertility — economic opportunity — migration cycle which has prevailed in the United States for so long, continued during the past dozen years and may apparently continue for some time to come.

⁴ The magnitude and distribution of migration during the 1940s is recounted in "Redistribution of Population: 1940 to 1950" by Henry S. Shryock, Jr., *Journal of the American Statistical Association*, December 1951. Vol. 46, No. 256, pp. 417-437.

INDUSTRIAL SHIFTS AND LOCAL LABOR MARKETS

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SEYMOUR WOLFBEIN has supplied this Panel with a condensed statistical capsule which summarizes the broad trends of industrial employment in the United States during the remarkable thirteen-year period from 1939 to 1952. He has presented vertical soundings at three anchor points — 1939, 1943, and 1952, has shown the over-all changes in the regional and state-by-state distribution of employment, and the primary shifts in selected segments of the industrial structure.

Comparison of the patterns for these base or benchmark years reveals the residual or end-effects of a remarkable sequence of kaleidoscopic changes, beginning with a condition of stimulated semi-recovery from unprecedented depression, progressing on to defense emergency and war, then victory and demobilization, followed by near-full employment during postwar readjustment, and now semi-mobilization coupled with standby readiness for full mobilization if required, in a world whose dominant characteristic is uncertainty and unpredictability of immediate events.

The current economic changes of this period have been so rapid and extensive that the trends of secular change have been blurred. It is therefore refreshing as well as useful to use the perspective of this background paper in an effort to restore our sense of underlying trends and the long-run forces of growth and development. In considering the impact of this period on the individualized local and industrial components of the national pattern it will be necessary, of course, to introject into the panorama our sense of the variegated events which have comprised the continuous stream of economic behavior of these years.

Parenthetically, at the beginning, I should like to note with satisfaction the achievement of the Bureau of Labor Statistics in the development and construction of this basic continuous series of employment data with the assistance of the Bureau of Employment Security and the cooperating state and local agencies, whose integrated efforts have been geared together in the increasingly effective current and historical measurement of employment change and volume in the United States, the States, and their localities. Among too many users of these data it is not commonly known that they arise from the

activities of a network of cooperating agencies which produce benchmark data, from reports from all establishments covered within the unemployment insurance system, supplemented by state-collected monthly returns from representative establishments, which are then consolidated into a consistent body of factual information for the entire nation.

Without this informational resource we should be unable to visualize the national picture which has been laid before us, a picture which is now supported by vast detail for states and local labor markets. Since this reporting system is dependent upon the research and statistical activities in the states which are financed by federal funds, it is important that economists and analysts should recognize the need for development and promotion of needed financial support of these operations in the federal budget.

I have taken my assignment in this Panel quite literally. I shall refrain from injecting any further statistical data in this oral discussion, beyond a few incidental references. Hopefully, as a basis for discussion from the floor, I shall try to raise various questions as to the significance of the changes portrayed by the BLS figures — what they mean, what they do not mean, and what may be their predictive import.

I. First, I find in these figures remarkable evidence that *the American economy possesses in its many parts a basic structural stability of industrial pattern which has not been fundamentally disturbed or altered by the dynamic changes and movements to which it has been recently subjected.*

This stability is shown by the fact, which Wolfbein points out, that the geographic pattern, measured in absolute numbers, is modified but slowly despite the remarkable contrasts in the differential rates of growth in the various regions and states. Industrial migration, regionally examined, has been gradual though persistent, and though influenced, has not been fundamentally accelerated or altered by the sharp shorter term impacts of depression, war, peace, and renewed defense activity. This is generally evident also in the behavior of local labor markets which in the aggregate comprise the regions. The decade-by-decade westward movement of population, industry and markets is persistent, and continues the steady direction of development from the early years of the Nation; its progress is a measure of the steady growth of the country. In detail, in specific localities,

and at specific times, it seems rapid, and produces maladjustments in new areas and distress in old ones; but in the aggregate it finds the more thoroughly developed parts of the country sharing in the growth, and lending the weight of their numbers and large volume to the stability of the whole.

II. An outstanding fact of World War II experience has been *the resiliency of local labor market areas in supplying the labor requirements of sudden emergency and in readjusting to subsequent peace-time conditions*. This local flexibility has not been substantially affected or impaired by the specifically induced movement of workers or industry in meeting emergency defense needs. During the stresses and strains of this period, local markets have found their labor supply to a surprising degree within the accessible local areas, by the stimulation of wider labor force participation, and by greatly expanding the areas of worker commuting. The flexibility of local response has hastened the concentration of non-agricultural employment in urban and satellite-urban industrial centers, while at the same time wider and wider commuting areas have shown centrifugal tendencies in plant locations. These factors have produced a wider scatter between place of work and place of residence for individual employees; in fact, the increased local mobility of the working population is an outstanding feature of World War II labor market experience. The enhancement of this element of flexibility in the labor supply has added to the importance of local highway networks, and plant-side parking facilities, in the locational planning of industry. Wherever public transportation is insufficient or poorly adapted to plant location, the local problem can be alleviated by attention to these factors.

III. *Relative losses in old areas and absolute losses in individual localities do not mean economic decline, though they require economic readjustment.*

New England is the classic case in point. Our oldest industrial area, it is commonly described as a case of "economic maturity", a condition evidenced by lack of expansion at rates commensurate with newer areas or with the country as a whole. But regional generalizations are treacherous. Closely knit as New England may be, traditionally and perhaps culturally, its economic parts do not add up to a homogeneous whole. Parts of Connecticut are sharing in the stimulus of decentralization in the adjacent metropolitan area, while other parts are independently booming in metal-working fields. The northern tier

of states is buoyed up by recreational activities, in common with adjacent parts of northern New York State. Important changes in manufacturing activity have been taking place. Textile employment in New England dropped about 220,000, from 1919 to 1952, but metalworking manufacture increased about 140,000, offsetting about half the loss. Other offsets resulted in a net drop of only 33,000 in total manufacturing between 1919 and 1952, according to local analysis by the Federal Reserve Bank. Meanwhile increases in non-manufacturing employment not only offset the manufacturing drop, but also brought about a net increase of about 175,000 in all non-agricultural jobs during the 33-year period.

These manifestations and trends are not unique in any region, though they are more marked in some. Trends in the service industries are an illustration. Their expansion is nationwide and worldwide, occurring in all areas, reflecting the rise in standards of living and the freeing of labor from increasing productive manufacturing operations, and further diversification in the division of labor to satisfy the infinite variety of expanding human wants. The figures lend support to the opinion that manufacturing industries may, like agriculture, meet the needs of modern life with a decreasing but more efficient fraction of the total labor force, in advanced or advancing countries.

In New England, and elsewhere today, the unemployment which exists is a locally concentrated problem. In April 1952 four Massachusetts textile cities represented less than 5 per cent of the population, and nearly 18 percent of the insured jobless. Textile decline in Utica, New York, is similar to that in New England cities; here, metalworking operations are replacing textiles, and local occupational convertibility is being tested as the labor supply is successfully put to new uses, with organized community guidance. Industrial obsolescence, which is a causal factor in industrial migration, is not peculiar to this period or to these localities; but there are new evidences of the capacity of communities to offset its impact by advance provisions, protective devices and partial remedies. This phenomenon is chiefly a product of local overspecialization, though it is associated with industrial migration.

It would have been most unfortunate if the new industrial expansion required by World War II had occurred predominantly in the older areas, where unplanned urbanization needs alleviation through local replanning without the handicaps of emergency expansion.

IV. *Some of the current changes in industrial structure under discussion today seem to be lasting and permanent, others more temporary. It is important to distinguish between these.*

The present trends in the relative position of manufacturing employment may be likely to persist with increasing productivity, and the increasing importance of service industries and occupations will continue to transform local patterns of living as well as occupational distribution and the vocational outlook. The recent trends in construction may be less persistent. Recently accumulated housing shortages have been intensified by new styles in housing, and by decentralization movements. There has been increasing dissatisfaction with old housing standards on the part of an employed population which enjoys the highest levels of purchasing power in history. Construction of housing enjoys spurts and lags, however, and without large public works its relative expansion is likely to be less reliable than other changes in the pattern shown by the BLS tables.

V. *Persisting industrial shifts, which are intra-regional as well as inter-regional, cannot occur without producing local dislocations and consequent need for offsetting local action.*

Such shifts are essential to the flexibility and resiliency of the economy. At the same time, high employment — full utilization of our labor power — has become a national objective.

In the final analysis this utilization must be attained locally. And it is important to keep in mind that the predominant pattern in the working force is still *resistance* to movement, despite demonstrated capacity for it. Under these circumstances the *techniques of flexibility* must be developed in our localities if the labor force is to be kept employed when industrial changes occur. The essentially immobile majority of the working population must be adaptable and prepared to meet differing occupational demands as the nature of industrial opportunity available to them changes. It is important to note that male workers tend to be more mobile than female, and younger workers move more readily than the older. This means that occupational shifts will be especially important among the less mobile groups, where they are also more difficult. Geographic shifts are obstructed by economic attachments to the job and to the work place, where these are satisfactory; by attachments to home and residence, to friends, church, school, etc.; by the costs of moving; by fear of loss of social status in the locality; loss of connection with consumer markets; and natural conservative attitudes toward change. As industrial migratory

movements occur, the less responsive elements in the communities which have supplied the mobile populations must remain as the productive elements in the residual communities. The importance of occupational programming deserves wider recognition. It should be fostered and promoted by effective labor market informational services, in which industry, education and employment service organizations should jointly participate. The techniques and applications of local labor market research and analysis are still in their infancy, but in our tangible future they may become critically important functions of local government and community action.

VI. *Industrial migration, which I regard as synonymous with industrial growth, is tending to level out the competitive advantages and disadvantages between regions and areas.* It will be interesting to determine how this will affect the migration of workers. I should like to see another Panel consider the statistical evidence in the hands of BLS which demonstrates the flattening out of geographic differentials in wages. Although most workers, as I have suggested, remain relatively immobile, there is little doubt that the chief incentive for movement is the wage rate. This is supported by findings of the Bureau of Old Age and Survivors' Insurance that workers who have changed locations receive higher taxable wages than non-migrants. What will be the effect on inter-regional competition when these regional differentials are minimized?

VII. *Local impacts of the persistent tide-like movements of industrial migration emphasize the local importance of the "built-in" devices for worker protection, and the implementation of companion devices of industrial and occupation conversion, some of which I have mentioned.*

This need is further accentuated by the compounding in individual labor markets of the rhythmic and climactic economic changes which are superimposed upon the secular factors.

In this area of concern I believe the essential dependency of local labor markets on trends in the national economy, in due time, must be reflected in some form of financial interlocking of state unemployment insurance systems. Meanwhile, study should be given to the feasibility of variations in these systems for possible provision of differential protection to workers in exposed or stranded industrial and geographic areas. But no doubt this type of action will await the stimulus of a greater degree of adversity than has prevailed during the period which is chiefly under consideration in this discussion.

THE ECONOMIC CONSEQUENCES OF THE CHANGING GEOGRAPHY OF AMERICAN INDUSTRY

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THIS MORNING I shall attribute a special meaning to the term "economic consequences" in the title of my paper. It is clear that many of the economic consequences of shifting population and industry, such as the demand for new housing, new highways and shopping centers, and new urban and governmental facilities, are obvious to us; and it would not be of interest to dwell on the obvious. Rather what I shall do is:

- (1) to attempt to explain in terms of underlying forces some of the past and current trends in the geographic structure of American industry;
- (2) to ask whether they may be expected to continue; and if not, in what directions they may be expected to change; and thereby to cast some light upon future shifts of industry and labor force; and
- (3) to indicate areas which may be "strong" and "soft" spots in the economy in the future.

Although this definition of my assignment involves a rather unusual interpretation of the term "economic consequences", I trust that it will prove to be both more interesting and more fruitful than a customary approach.

Mr. Wolfbein has already pointed to the fact that a tier of states rimming the country all the way from the West, through the Southwest, Gulf and South Atlantic borders led the nation in employment growth between 1939 and 1952. Why? The answer lies in an intricate web of location factors. Some have grown stronger; others, weaker.

One basic, pervasive factor influencing past and current geographic shifts has been the decreasing material orientation of our economy, in particular the decreasing coal orientation. Current and past technological developments have led to major heat economies in all phases of our industrial structure. The power industry and the steel industry are instances where these heat economies have drastically cut coal requirements. At the same time there has been an in-

creasing use of scrap materials and by-products. As a consequence, the requirements of raw materials per unit of product have tended to decline absolutely. Hence, the locational pull of raw material sites for industry has likewise tended to decline relative to other sites. This is strikingly illustrated by the relatively slow advance of the Pittsburgh-Youngstown region whose past growth has been so much dependent upon coal. And despite all the noble and brave efforts of enlightened community leaders in the Western Pennsylvania-Youngstown area, this area will likely be a "sore" spot for the decades to come. I see no technological developments on the horizon which are likely to restore the once glorious industrial leadership of this region.

If the Pittsburgh region has declined relatively, somewhere else in the economy there must have been relative growth. The counterpart of the Pittsburgh decline has been the rapid economic development of California and Florida, in particular California. Decreasing consumption of coal per unit product has meant that the disadvantage for industrial location of peripheral states like California and Florida has been reduced. This is obvious since these states, because of high transport cost on coal, pay a high price for coal. Moreover, technological progress has made it feasible for these states to utilize to some extent at least inferior energy deposits, which in the past were not usable. Further, while the disadvantage of these states relative to fuel has decreased, the climatic and other attractions of these states have persisted, if not increased through a change in consumers' tastes. Thus, for more and more industries, the pull of material sites has been so weakened that the climatic attraction of California at least has come to be an important force in the locational matrix.

This is not to deny that other factors have also been significant in the rapid growth of California and Florida. One factor is the development of early-paid retirement and social security together with longer life expectancy and the attraction for old people of warm climate. Another is the growth of the tourist industry. Still another is the increase in the proportion of industry which is nationally foot-loose and is able to seek more desirable climates. All these factors help explain the rapid growth of California and Florida. And, more important, if these factors do not grow stronger in the future, as a group they will at least remain strong, and assure that California and Florida will continue to be "hard" spots in our economy.

Mr. Wolfbein has also pointed up the rapid growth of non-agricultural activities in Texas. This is largely tied to the exploitation of

Texas oil and natural gas. Texas oil and Pacific Northwest hydropower represent two of the most significant resources of the United States which are capable of, and will be subject to, much more intensive utilization in the future. Hydropower is a regionally immobile good, and industries desiring to use cheap hydropower will be compelled to locate in the Pacific Northwest. Oil, however, is a very mobile good, and can be piped or shipped by tanker at extraordinarily low cost. Hence, though a large increase in refining and petrochemical output is in store for the United States, it does not necessarily follow that a large share of this increase will be in Texas. We have been conducting intensive locational studies of the oil refining industry, and of the petrochemical industry which currently is one of the fastest growing sectors of the chemical industry. Here, too, we find decreasing material orientation. Our preliminary findings indicate that although Texas has lost much of its initial advantage for oil refining and petrochemicals, on balance it still retains a small locational advantage because of cheap bulk shipment by tanker and barge and because of economies of scale. This small advantage plus historical inertia is sufficient to insure that Texas, plus Louisiana, and perhaps parts of Oklahoma and Kansas will be "hard" spots in the future.

We might pause here to pull together the several strands of our argument. Bearing in mind that the satellite economies of Nevada and Arizona are likely to go as California goes; and New Mexico, as Texas goes, we find that practically all of the Pacific and Gulf coastal areas and their satellite states are likely to be "hard" spots in the future. To be specific, these include Washington, Oregon, California, Nevada, Arizona, New Mexico, Texas, Louisiana and Florida. This is much in line with the trends indicated by Mr. Wolfbein's data.

Let us now turn to future "soft" spots in our economy. As projection of Mr. Wolfbein's data would suggest New England is likely to continue to be a "soft" spot, and a "very sore" spot. Its textiles and boot and shoe industries are unlikely to grow much, if at all; and New England is likely to bear a more than proportionate share of any downturn in the activity of these industries. This is not to deny that there are opportunities for development of new industries in New England. There are many. But it seems that elements of conservatism in its culture combine with elements of immobility in its labor force to obstruct the industrial growth which could be achieved, given the high level of skill, technical know-how and financial resources in New England.

Finally, let us turn to two other regions, the Middle Atlantic (covering the states of New York, Pennsylvania and New Jersey) and the East North Central (covering the states of Ohio, Indiana, Illinois, Michigan and Wisconsin). Projection here of Mr. Wolfbein's data could be quite misleading. During the period 1939-52 the East North Central region has grown in non-agricultural employment at a rate slightly greater than national. In contrast the Middle Atlantic states have progressed at a rate substantially below national, and not much greater than New England's. The implication is that the Middle Atlantic states are approaching the condition of the New England states; and that they are losing ground to the East North Central industrial mass, to which region the Middle Atlantic area has already lost its supremacy in manufacturing jobs.

There are however basic shifts in industrial location which will bolster considerably the Middle Atlantic states at the expense of the Great Lakes states. Moreover, these shifts indicate that "soft" spots in our economy will arise in the East North Central states rather than in the Middle Atlantic states. (In what follows we consider the Pittsburgh area as part of the East North Central region, as it logically should be considered). I have in mind the major shift of the steel industry to the Delaware River Valley. We estimate that this development alone will give rise in the next decade to at least 175,000 new jobs, which in itself would constitute roughly a 10% increase in New Jersey's employment. Additionally, there will be other basic industrial expansions along the Middle Atlantic seaboard. It thus seems clear that these states (excluding the Pittsburgh region) will have rather firm economies, both in the short- and long-run.

Much of this development will take place at the expense of the East North Central states. The basic steel-coal complex of the East North Central states (including the Pittsburgh region) seems to be receding both to the West and East coasts. Coupled with this is a strong possibility of further decentralization of the automobile industry, a decentralization which is not likely to be counterbalanced very much by the growth of aircraft. This suggests that not only is the Detroit area vulnerable, but also many of the East North Central areas which feed products into Detroit. In this connection it should be remembered that the East North Central states received more than their proportionate share of military expenditures since 1939, and that this has to some extent put off the day of reckoning.

Thus, it is for these and other reasons that I feel it is dangerous to project into the future the 1939-52 growth rates for the Middle Atlantic and East North Central states.

To conclude: the data presented by Mr. Wolfbein are extremely valuable for identifying differential regional rates of growth. They must, however, be supplemented by analysis to yield insight into future rates of growth for the different areas of the United States. The materials which I have been able to present in the brief time allotted to me indicate that the "hard" spots in a future peacetime economy are likely to be the states bordering the Pacific and Gulf Coasts and their satellites. The "soft" spots are likely to include New England, the Pittsburgh region, the Detroit region, and other selected areas in the East North Central states.

THE IMPACT OF INDUSTRY AND LABOR MOBILITY ON INDUSTRIAL RELATIONS

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THE IMPACT ON INDUSTRIAL RELATIONS of the industry and labor mobility revealed in Mr. Wolfbein's paper warrants both statistical and economic studies where very few exist at present. Faced with the choice of how to spend the minutes allotted for a discussant's comments, I shall forego a discussion of what statistical materials are available although that subject is highly challenging. Within the time limitation, I shall concentrate upon a case study of collective bargaining in an area undergoing industrialization, recognizing that I am leaving much unsaid about the aggregate movements of labor and industry which have been the center of our discussion.

A start was made in studying collective bargaining in an industrializing area by the University of Kentucky last summer, in which I had the privilege of participating with Professor Keith Mann of Stanford Law School and Mr. F. T. Downs of the University of Wisconsin. I shall comment briefly upon some of the lessons which seem to emerge from that study as illustrative of the problems encountered and matters of emphasis indicated.

The study of the Paducah area of Western Kentucky provided considerable experience in the construction industry as well as instances of new collective bargaining relationships in factory and operational employment. The record of frequent work stoppages on the Atomic Energy Commission's billion dollar construction project just west of Paducah beginning in 1951 has occasioned national comment. The steam plants being erected by the Tennessee Valley Authority in Kentucky and by a group of private utilities at Joppa, Illinois, to supply power to the atomic operation have had an unusual degree of strike incidence. The community has also been concerned with frequent wildcat stoppages and intense negotiating strikes at local manufacturing plants.

In approaching this experience, the study team made an initial investigation from interviews as well as published materials, of the issues involved in the strikes and the policies and procedures which the parties had used to meet these issues. When nothing very unusual emerged from a consideration of the issues where they could be

identified and even the machinery developed to handle them, it was apparent that a much more basic inquiry of underlying factors required exploration. The team then turned to studies of the economic history of the area, prior work experience and background of the labor force, the history and structure of unionism there, and the economic characteristics, structure and organization of industry in the area. The specific collective bargaining experience was then reviewed in the light of these background factors.

1. Construction Experience.

We noted first that the strike incidence in construction was widespread and was not confined to any particular craft local. Out of some 68 stoppages studied on the AEC project, no single craft local had more than 7, but five different crafts were prominently involved in 7 each; another 6, and five others 4 strikes each. Thus approximately 61 of the 68 stoppages studied were spread among ten different construction unions. It should be noted that the more than 20,000 new construction jobs constituted a virtual doubling of the job base in the area within two years, according to unemployment compensation coverage figures. The building trades unions with heavy strike incidence included several which expanded membership substantially from the surrounding area for lower skilled work such as labor, truck-driving, rough carpentry, simpler operating engineers' work, and even simple tasks in iron work, as well as some unions which recruited highly skilled workmen from remote sections of the country.

The multifold expansion of these local unions, ranging from six- or seven-fold in some to ten- or even twenty-fold expansion, involved of course serious structural problems. Some unions, including one or two with less strike incidence, expanded their full-voting local membership only modestly, encouraging the new workers in their crafts to maintain support to their home locals elsewhere and work on the project on travel cards or work permits. Other locals in which the employment expansion was allowed to reflect directly into full-voting membership in the local unions tended to have more dissension groups and special interest pressures in negotiations. In any case, frequent turnover of local leadership prevailed. Rifts developed within the locals and frequently between local groups and international union representatives.

On the management side of the construction project, there was also considerable turnover of personnel directors charged with industrial relations responsibility. This might have been and probably was

an aggravating factor in the conflict scene, but it was also likely to have been a reaction in part to the persistence and difficulty of the conflict problems. Management policies, which ran the gamut from practical settlements by an army colonel to extremely legalistic treatments, do not appear in themselves sufficiently unusual to cause the intensity of conflict. Perhaps more important than a judgment in this respect is the fact that union spokesmen interviewed did not place the responsibility for conflict mainly at the hands of management.

In fact, the parties did develop grievance procedures and other measures as strike substitutes, sometimes with the aid of the President's Atomic Energy Labor Relations Panel. But conflict persisted. Conventional procedures were supplemented by a tailor-made device of monthly joint Local-International-Contractor meetings. This machinery was the most successful of all in diminishing conflict, but even this arrangement did not prevent the subsequent eruption of serious stoppages.

A study of issues was helpful in part but only moderately so toward an explanation of conflict. Jurisdictional strikes were not a major factor on the atomic energy project or the TVA Shawnee steam plant, although they may have been a more important factor at the Joppa, Illinois, power plant. Some "sticky" wage problems arose at the atomic plant, including a travel pay fringe issue, several of which were aggravated by the existence of wage control regulations during a major part of the period. The wage problems, however, and even the nature of the grievance problems which occurred did not in themselves appear to be sufficiently unusual to account for the degree of conflict found.

A kind of residual of conflict was left after seeking an explanation by applying standard collective bargaining concepts of issues in dispute, the policies and tactics of bargaining parties, and the existence or lack thereof of conventional dispute-settlement machinery. This residual type of conflict can only be portrayed by reference to specific incidents which occurred. The individual, factual case is of interest here only as it contributes to developing necessary concepts and a broader analytical framework to express a phenomenon of localism which seems to be at the root of these problems.

Some of the most serious strike-loss months were reportedly caused by "internal union trouble." In some cases the issues were so elusive that follow-up interviews and intensive study elicited nothing more than allegations that particular groups were trying to "take over" a local. In other cases the issues themselves, such as selection

for lay-off, or open conflict between particular leadership elements, pointed directly to internal strife within unions. Often a local-international cleavage resulted, sometimes fed by rifts within the local, but sometimes indicated by a strong, unified local group's resentment of international direction. It was clear first that stable institutions had not generally developed in the area and secondly that a strong feeling of localism permeated many groups and showed up as a lack of adjustment between local and non-local groups including in-moving contractors, international unions and the Federal Government.

When an out-of-state contractor, accustomed to dealing with national building trades unions, faces the choice in a specific incident between telegraphing the international union for discipline and compliance, or developing a *modus vivendi* with local union leadership, he has a very practical problem. In one case, international assistance may be essential to promote stability of the local group. In another situation, international discipline may only be achieved over stubborn and disturbing resistance by local power groups. In any case, the more generalized problem is the need for adjustment between local and non-local groups.

2. *Manufacturing Conflict Experience.*

In-moving factories have also experienced collective bargaining difficulties, ranging from repeated and persistent wild-cat walkouts to serious contract negotiating stalemates. Some of these problems have undoubtedly been accentuated by wage strains and behavior patterns emanating from the large-scale construction boom.

The nature of the difficulties in the manufacturing segment, however, bears closer examination. Again, difficult issues like wage incentives accounted for a few. Some underdevelopment of dispute-settlement substitutes for strikes, such as a sparing use of arbitration, may be noted. Again, however, there are residual conflict elements similar in nature, if not in extent, to the construction problems noted above.

Both employer and union spokesmen interviewed reported a kind of individual or small group bargaining behavior with respect to grievances and on local bargaining committees. One may hear a wistful expression from representatives of both sides, "If the workers only knew more about union principles, discipline and stability." Extremely high turnover of local union leadership, including resignations prior to the expiration of terms of office, suggest aggravated dissension groups within locals. It was apparent that international

unions in manufacturing, both AF of L and CIO, were having unusual difficulties in establishing stable, responsible locals.

Some of the problems may be attributed to growing pains of collective bargaining in any new relationships. Taken with the construction experience outlined above, however, they suggest the need for greater recognition of the problem of local-nonlocal adjustments in a newly industrializing area than has generally been stressed.

3. Toward an Explanation of the Local-Nonlocal Adjustment Problem.

In seeking underlying reasons for the type of behavior noted above, the economic history and work experience of the people of the area, the history and characteristics of unionism there, and the nature of industry all seemed to be important. We found in the depressed rural background a consciousness of scarcity of economic opportunity, agricultural as well as industrial. There were indications of prior work experience among rural residents of an intermittent nature on governmentally sponsored construction jobs and occasional spot industrial experience in other locations as well as locally. Occupational shifts then had been from agriculture to construction and industry and rather frequently back to rural homesteads.

Unionism in some respects was old in the area, but the current labor movement in both construction and manufacturing represents mainly a resurgence and growth in the post-Wagner Act period. Some bitterness carries over from the organizing struggles, but in general unionism is well-established in the area.

The typical employer unit is a local plant of a multi-plant company. Many of the more recent plants represent in-moving companies from the North and East. In most cases their competitive problems are with older and more industrialized centers, usually with much more experience in collective bargaining relationships. These firms are developing industrial organizations and structures, but in some cases have not fully taken into account the strength of local attitudes and factors.

One rather striking thread that runs through the different elements of the problem is a strong feeling which might be expressed as "local jobs for local people under local control." It seems to cut across craft lines, extend beyond particular unions, and encompass at least in some small degree employer and other groups in the community.

One may remember Professor Selig Perlman's explanation of the growth of union organizations, as, stemming from an aware-

ness of job scarcity, workers sought to protect a pool of jobs from competitive menaces. In this effort they developed a feeling of sovereignty, akin to nationalism, over a given job territory, usually representing a common skill or industrial job pool. Professor George Taylor and others have pointed out that collective bargaining today embraces the mutual determination of wages and working conditions and thus represents a rejection of union unilateralism (which the sovereignty notion may imply) as well as employer unilateralism—which was rejected when the Wagner Act was passed by Congress. Professor Neil Chamberlain has suggested a kind of evolutionary process from a unilateral offer of services at stated terms by some of the early unions studied by Commons to the modern concept of collective bargaining as bilateral negotiation of contract terms and reaching mutually agreeable conditions of employment.

In seeking pure explanation, however, of the localized conflict pattern in an industrializing area like Western Kentucky, it may be useful to recall the sovereignty drive over a given job territory as described by Professor Perlman. It does not relate here so much to the common skill or industrial pool of jobs. As indicated above, the local job interest cuts across craft lines with lively interest in autonomy groups permeating the community. Rather, it seems to represent a geographical job territory over which local groups and institutions seek a kind of sovereignty. Yet only rarely does it result in cohesive and stable local institutions. More frequently the localism serves as fuel to one or another divisive group, making local-nonlocal relationships difficult and unstable. It may well relate, however, to the previous scarcity of economic opportunity in the area.

If this hypothesis is correct, it would suggest much greater concentration upon developing understanding and adjustments between local and nonlocal groups, including international unions, in-moving employers, and all levels of government, than upon traditional employer-union relationships. Collective bargaining today is a complex affair. On multi-million dollar construction projects and in large multi-plant corporations, nonlocal groups are necessarily involved, often including national governmental agencies. Grass roots bargaining is not enough; and yet local attitudes, needs and circumstances command consideration since that is where the day-to-day bargaining relationship must be carried on.

The dilemma between localism and centralized determination is not wholly new to collective bargaining. In the experience and literature of industry-wide bargaining are instances of the accommodations

required between general standards negotiated for a large group or wide territory and the need for managerial flexibility and local union interest at the individual plant level. Reconciliation in those instances is often approached by relegating certain issues or the detailed effectuation of broad general standards to the local groups. However, the distribution of power elements and the need for local stability are also facts of life in this process. Although related then to practical behavior problems of large bargaining groups, the local-nonlocal adjustments required in the industrialization of formerly underdeveloped areas may be more acute and need more specialized procedures.

This analysis suggests the need for building stable collective bargaining relationships over time by fundamental programs such as workers' education to develop informed and able union leadership in depth and supervisory training stressing not only conventional industrial relations administration but the particular characteristics of the local area. "Fire-fighting" dispute settlement tactics are inadequate. As an example of techniques suggested by the sovereignty concept outlined above, one might propose a kind of ambassadorial mediation as having the greatest immediate hope of reducing industrial conflict in such areas. It would rest basically upon careful understanding of the economic history and background of the people in the area and their institutions. If these people have confidence in such a mediator, who is also alert to the needs of nonlocal employer, international union, and the Federal Government interests in collective bargaining today, he could provide a bridging of this local-nonlocal gap that presently exists. His job, however, would be to promote understanding and institutional accommodation as well as advise on specialized collective bargaining techniques and strike-substitute procedures.

As in the international sphere the United States has found that economic aid programs which ignore native cultures, customs and goals may be ineffective, the impact of industry mobility to underdeveloped sections of our own country may require similar considerations. Perhaps the art of diplomacy and the art of collective bargaining are not too far apart.

Part VIII

RESEARCH ON WAGES: ACCOMPLISHMENTS AND NEEDS

THE STATE OF WAGE THEORY

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1. It is well to begin by recognizing that wage theory does not exist in isolation from other branches of economic analysis. Any important question about wages is also a question about the overall functioning of the economy. One should expect that significant advances in thinking about wages will be made by theorists whose range of vision embraces the economy as a whole.

One of the most unfortunate developments in economic thought over the past several decades has been a tendency for economic theorists to abdicate their responsibility in the matter of wages. They invariably announce that they are concerned with the price system, with factor prices as well as product prices — and then proceed to devote ninety per cent of their attention to product markets. Interest rates are palmed off on the monetary theorist, and wages are left to the labor economist. The so-called “distribution” section of our texts in principles and in theory invariably has a drooping and hang-dog air.

When theorists do undertake to talk about wages, they frequently put their foot in it for lack of factual knowledge. They are sometimes willing to operate at a level of abstraction, and with a disregard for reality, which they would not think of adopting when discussing commodity markets.

We labor economists, who are supposed to pick up the pieces and set all things right, have not made very rapid progress either. Much of our work on wages has either had no clear theoretical orientation, or has been concerned with problems which — looked at broadly — are not of much importance in the total scheme of things. We have also wasted much effort in polemical and sometimes naive criticism of “neoclassical wage theory.” What with loss of steam in both directions, our forward motion has been slow.

The greatest need at present is for a deliberate effort from both sides to close the gap between labor economists and general economists. This involves greater willingness by economic theorists to immerse themselves in statistical and institutional information about wages. On the other side, it involves willingness by labor economists to accept the necessity of theoretical formulations — which does not mean, of course, simply accepting the formulations now in existence — and to orient their work in terms of significant and testable hypotheses.

2. We should next recognize that the objective of our efforts is not to develop *a* theory of wages. There is not now and there never will be "a wage theory," in the sense of a single set of concepts which will explain all aspects of wage behavior. The late Joseph Schumpeter used to say in his classes, "Theory is the systematic art of addressing questions to the facts." There are many different questions which one can address to the facts about wages, and these specialized questions require specialized conceptual tools. One should think, therefore, in terms of an array of "wage theories" oriented toward different kinds of question. More correctly, we need a variety of theoretical structures — a theory of collective bargaining relations, a theory of the firm, a theory of the distribution of real national income, a theory of aggregate employment, and so on — each of which will have a wage *aspect* or wage *component*.

The reason why there seemed to be a single, unified wage theory throughout the neoclassical period was that theorists were preoccupied with one kind of problem — the distribution of real national product between labor and capital — to the exclusion of other problems. Moreover, it was believed that the analytical structure developed to handle the distribution problem was adequate to handle a wide variety of other questions — the determination of wage rates for particular occupations, the aggregate level of employment, the level of employment in particular industries, and so on. This belief is now generally recognized to have been an illusion; and with it has crumbled the notion of a single, all-purpose theory of wages.

3. The practical problem at any time is to decide which questions about wages are most important, and which branches or aspects of wage theory are consequently most worth working on; and I would like to express a few prejudices on this matter. For the past ten years and more, there has been some tendency to concentrate our attention on the factors determining the wage level of the individual firm. This is probably traceable in part to the theoretical developments of the 'thirties, which brought analysis of the firm to the forefront; and it may also be due to the experience which economists have had recently in tinkering with company wage structures in the course of arbitration work and government service.

In this area, I seem to detect an increasing degree of consensus along lines which are well stated in Charles Myers' paper. The law of diminishing originality seems to have set in, and new writings seem mainly to be ringing the changes on reasonably familiar themes. I would certainly not assert that we now know all the answers. In view

of our limited professional resources, however, and in view of the intriguing possibilities in other areas, I would argue that work on company wage levels and wage structures has been pushed about to the margin of usefulness for the time being.

4. If we should decide to taper off our efforts in this direction, where shall we look for new fields to conquer? I suggest, first, that it might be worthwhile to return for a time to the neoclassical problem of the real national wage level, and the distribution of national product between labor and capital. Except for some work on the nature and consequences of invention, mainly by Pigou and Hicks, this problem stands just about where J. B. Clark left it in the eighteen-nineties. The problem was neglected for forty years because it was considered to have been finally solved, and has now been neglected for an additional twenty years because it has seemed less exciting than the problem of unemployment and inflation. Surely the time must be about ripe for a renaissance in this area.

We now have the great advantage of being able to measure many things which in Clark's day could only be reasoned about — quantities of labor and capital in use, quantities of output, crude breakdowns of output by "functional" shares, real and money wage levels, and so on. Moreover, we have some of these measures for a number of different national economies, which broadens our base for quantitative work.

One of the most striking things which emerges from the statistics is the relative stability of "labor's share of national income" in the United States and certain other countries over the last several decades — decades marked by wars, unemployment, inflation, growing unionization, rapid capital accumulation, and other things which might have been expected to shift the distributive shares appreciably. Numerous writers have noted and speculated about this phenomenon. There is considerable suspicion that the alleged tendency may turn out on closer examination to be about as trustworthy as Pareto's Law. But isn't it time that we undertook this closer examination?

On the conceptual side, the development of our reasoning about micro-phenomena during the past twenty years has important implications for reasoning about the aggregate shares of labor and capital. We now maintain that labor markets function quite imperfectly, that there is considerable indeterminacy in company wage levels, that the wage structure of an industry can be re-shaped through collective bargaining. If these tendencies are important, they should affect the overall distribution of income. But just how does this operate, and is there any reliable evidence concerning its strength? There is an

important task of trying to link up the micro- and macro- levels of analysis, to use the resulting structure for purposes of prediction, and to subject these predictions to quantitative tests. At the present time, we can't answer even such a clear-cut question as whether collective bargaining raises labor's share of national income or whether it doesn't. This is surely a deplorable situation, and efforts to extricate ourselves from it should have rather high priority.

For some points of view, the most interesting problem is not the distribution of income into abstractly-defined shares of "labor" and "capital"; but rather the distribution between concrete groups of actors on the economic stage: organized wage-earners, salaried groups, farmers, bondholders, owners of business equities, etc. These are certainly the important lines of cleavage from a political point of view, using "politics" both in the sense of political pressure and in the sense of the necessary design of public policy. We need to know much more about the way in which income shares in this sense have changed over the course of time, about the tactics by which different groups attempt to manoeuvre the distribution in their favor, and about possible ways of mediating or adjusting the income-struggle through public policy.

5. A quite different problem, but still at the aggregative level, is the behavior of the money wage level and the alleged tendency toward "wage-propelled inflation." It remains to be seen how important this problem will be over the long pull. Much of the writing on the subject seems to generalize unduly from the experience of 1945-49. It is by no means clear that the tendencies which prevail during immediate post-war inflation will continue to prevail into what one may hope is a peacetime future. Nor is there convincing evidence that the existence of unionism accelerated the rate of wage and price advance even in the immediate post-war period. On the contrary, there is a good deal of evidence both in the United States and in other countries of payment over the union scale during these years, which means that the unions concerned were under-pricing their labor. Albert Rees' argument that the steelworkers' and coal miners' unions did not accelerate the rate of wage increase in those industries during the postwar years is also rather persuasive.

Anyone who thinks that union-propelled inflation is likely to be a serious problem in future needs to explain at least three things:

(1) Starting from a point of stability in prices and in aggregate demand (as I think one must do for accurate reasoning), why should most unions insist on wage increases which exceed the growth of

productivity and therefore tend to force up the price level? Unionism may contain built-in institutional pressures leading to this result; but this is certainly not self-evident. We need a more careful statement of the mechanisms which are presumed to be at work, and some investigation of whether these mechanisms actually exist.

(2) Even if unions are led to make large wage demands, may not employer resistance whittle down the actual settlements to a level which does not force a general price increase? The fact that an employer may act like a sitting duck when working on a cost-plus contract for government, or during a strong post-war inflation when workers are hard to get but price increases are easy, does not mean that he will act this way under any and all circumstances. At a time when aggregate demand has ceased to rise, and when price increases may be inexpedient or even impossible, one would expect employers to put up real resistance to out-of-line wage increases.

(3) Even if these questions are satisfactorily answered, one still has to explain what behavior of the monetary system and the monetary authorities is necessary for successful continuance of a union-propelled inflation. It seems often to be assumed that the funds necessary to sustain the expansion will find their way into the system easily and quickly, that there is never any problem of credit inelasticity or monetary shortage. It seems also to be assumed that the monetary authorities will passively adapt themselves to whatever wage-price level unions seem to desire, and will never intervene in a deflationary way. This strikes me as a gross simplification. I doubt whether the monetary authorities are either sufficiently single-minded or sufficiently clever to behave in this way.

I think, then, that it would be worthwhile to experiment with more realistic models of money wage behavior. Looking back ten years from now, however, the importance of this issue may seem to have been considerably exaggerated. Certainly it is not of the same order of importance as the income-distribution problem.

6. Working down from the general toward the particular, it would be worth while to have a good deal of additional theorizing about the *structure* of wage rates in a national economy — about wage differences, if you like. The most important differences seem to be between geographical areas, occupational levels, and types of industry; and I want to say a word on each of these points.

It is a little surprising that we still have no adequate theory of geographical wage differences — why they arise and persist, and how they change over time in response to economic developments. Pigou

made overtures in this direction a generation ago, but there has been little follow-up since that time. A theory of geographical wage structure would have to be linked, of course, to a theory of geographical migration of labor. Further, it would have to be related to the theory of industrial organization and particularly to location theory. It has usually been supposed that the geographical wage structure influences location of industry as well as movement of labor, but we need to know a great deal more about the strength and *modus operandi* of these influences.

The inadequacy of theory in this area raises serious difficulties when we come to consider policy problems. There is a tendency to assume that reduction of geographical wage differences is good. But is it always good, without qualification? How far do we want to carry it? Would it really be desirable to abolish geographical differences completely? I suggest that these questions have not been thought through, partly for lack of adequate tools of analysis.

As regards occupational differences, we seem to have too many theories rather than too few—the theory of competitive or “equalizing” differentials dating from Adam Smith, the theory of non-competing groups dating from Cairnes, application of ordinary monopoly theory to occupational groups, theories leaning heavily on custom or established living standards, and so on. Yet I think no one would claim that we have a unified explanation of actual occupational differentials and of how these change over time. We don’t know much about the impact of collective bargaining on the occupational wage structure of the country. We know something about union policies and about the results of collective bargaining within particular industries—steel, textiles, clothing, or what not. But how is American trade unionism as a *whole* re-shaping the occupational wage structure? We also know very little about the recruitment of people into various occupational levels. Our studies of labor mobility have been focussed largely on one kind of movement—movement between employers in the same locality—leaving large areas of ignorance as regards both occupational and geographical movement.

There has been a considerable reduction in (percentage) occupational differentials since 1939, not only in the United States but also in Britain and Western Europe. This raises intriguing questions. A shrinkage of differentials of this magnitude would be expected to have an adverse effect on recruitment of people into skilled occupations. Yet evidence of such an effect is remarkably difficult to pin down, and I believe there is room for pioneer research on this point. Maybe

there is no evidence and the effect just doesn't exist, or is very weak. The theoretical consequences of such a finding would be very interesting.

Inter-industry differentials are interesting because in a fully competitive labor market they would not exist, or would come into existence only temporarily in order to move labor from declining to expanding industries. With this exception, all differences between industries could be resolved into either occupational or geographical differences. Yet we know that inter-industry differences do exist, they are large, they cannot be explained solely on occupational or geographical grounds. There has been a good deal of statistical investigation in this area of late. Efforts have been made to link industry wage levels or wage changes with degree of unionization, with profitability of the industry, with changes in productivity, employment, and other economic variables. Efforts should be made to test the importance of the monopolistic or competitive structure of the industry — a factor which I suspect is of prime importance, though difficult to quantify. Our theoretical tools in this area — the ordinary apparatus for analyzing the economics of an industry — are reasonably satisfactory. The main need is probably further quantitative research rather than new theoretical models.

7. I have tried to suggest a few of the main lines along which we might usefully work in the years to come. In so doing, I fear I may have overstepped the limits of this paper and gotten into the jurisdiction of the next paper on wage research. But some intermingling of these two things is inevitable. Theory-building which is not done with some empirical purpose in mind, and which is not constantly tested and refined by research, is apt to end in sheer diletantism. Research which is not organized to test general hypotheses is bound to be fruitless.

After we have assembled more of the pieces in the wage puzzle, it would be nice to have a judicious re-statement of the relative roles and significance of: (a) the "economic" or "competitive" forces operating in the labor market; (b) trade union structure and objectives, company policies, government regulations, and other institutional pressures. It is easy to get an apparently tidy theory of wages by focussing on one set of forces and sweeping the other under the rug. An effort to do justice to both sets of pressures leads toward a more complex and messy kind of theory, but at the same time a more realistic and useful one. This task of synthesis and integration remains to be performed.

EMPIRICAL RESEARCH ON WAGES

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WITH THE POSSIBLE EXCEPTION of the labor market and labor mobility, no field of labor economics has had such a burst of research activity within the past ten years in this country as the related field of wage determination. In both areas, research activities have been coordinated through research conferences and the personal contact of the principal researchers. Indeed, research on labor mobility and wages has run the danger of becoming such a "tight little island" in the sea of economics and industrial relations that our professional colleagues in economic theory, for example, appear to be almost ignorant of what has been learned through empirical studies during the past decade.¹ It is particularly appropriate, therefore, that this session be devoted to a review of research on wages.

The purpose of this paper is to review the empirical studies themselves as they have focussed attention on more realistic models of the trade union and the firm as wage decision-making units affecting the wage levels of firms and industries. We shall trace the development of initial hypotheses, how they were supported or revised by later studies, and the extent to which a synthesis has emerged from this research. Apparent gaps in our knowledge and areas for further research will be pointed out. Specifically, the impact of wage changes on the firm, as a neglected area for empirical research, will be stressed.

In all of this, we shall of necessity be forced to omit any discussion of the great advances that have been made during the past decade in the collection of more adequate wage data, largely by the Bureau of Labor Statistics, and the analyses which have advanced our knowledge of the wage structure in particular industries and areas. Finally, only the barest mention can be made of the intriguing research question which has tempted labor economists more recently: Do unions have an independent influence on wage levels, or do they simply ride the waves of inflation and economic change?

¹ See, for example, many of the papers and much of the discussion in David McCord Wright (ed.), *The Impact of the Union*, New York, 1951. For an illuminating commentary, in the form of a dialogue, of the gap between empirical research and theory, see Clarence D. Long's review of Reynolds' *The Structure of Labor Markets*, in *The Review of Economics and Statistics*, Vol. XXXV, No. 2, May, 1953, pp. 178-180.

Much of the progress that has been made in empirical wage research during the last ten years can be attributed to the encouragement and coordination provided by the Committee on Labor Market Research of the Social Science Research Council, through a Subcommittee on Wage Research which was appointed early in 1947.² The subcommittee held research conferences of some thirty persons at Yale University in 1947 and at Harvard in 1948, and the reports of these conferences by Lloyd Reynolds remain a useful summary of the principal research problems in the wage field.³ The call for the first conference stated the coordinating function which, it was hoped, would be provided:

"Among economists working on wages, there is very incomplete exchange of information about studies during the all-important planning stage. The principal unfortunate result is noncomparability of the conclusions reached. The work of one man cannot be cross-checked against that of another, and the results do not cumulate into a progressively growing body of knowledge. While it is neither possible nor desirable to impose any set pattern on individual research workers, the present anarchy might well be reduced by more frequent interchange of ideas about types of study and methods of work."⁴

The pioneer study on wage policies, which preceded these conferences but helped to stimulate further research, was John T. Dunlop's *Wage Determination Under Trade Unions*, published in 1944.⁵ Dunlop argued that "trade unions have wage policies in the same sense that companies have price policies; alternatives exist for the union with respect to the level of rates, the elements in the wage structure, and the differentials among members and among firms." (p. 119). He suggested that "the most suitable generalized model of the trade union for analytical purposes is probably that which depicts

² Members of the original Subcommittee were Lloyd G. Reynolds (Chairman), John T. Dunlop, Richard A. Lester, and Charles A. Myers. Arthur M. Ross became a member later in 1947.

³ Lloyd G. Reynolds, *Research on Wages: Report of a Conference Held on April 4-5, 1947*, Pamphlet 4, prepared for the Committee on Labor Market Research, Social Science Research Council, New York, August, 1947; and *Research on Wages: Report of a Conference Held on February 21-22, 1948, at the Littauer Center, Harvard University*, Committee on Labor Market Research, Social Science Research Council, New York, 1948.

⁴ Reynolds, *Research on Wages*, "Explanatory Note" by Paul Webbink, pp. iii-iv.

⁵ John T. Dunlop, *Wage Determination Under Trade Unions*, New York: The Macmillan Co. (2nd edition, New York: Augustus M. Kelley, Inc., 1950). Earlier, some of the initial argument was presented in a paper before the American Economic Association, "Wage Policies of Trade Unions." *American Economic Review*, Supplement, March, 1942, Vol. XXXII, pp. 290-301.

maximization of the wage bill for the total membership," (p. 44), and also he termed this "probably the most generalized assumption respecting the actual aims of trade unions." (p. 119). Methodologically, he believed that "wage policy as practiced by trade unions must be examined in the context of actual situations; specific collective-bargaining agreements and wage conferences constitute the basic sources." (p. 54).

Even though in the succeeding discussions in the literature, Dunlop has been labelled on the side of "economic determinism," he pointed out in his Introduction "the fallacy of misplaced concreteness which would treat the model as the real world" and that "to appraise wage policy of a trade union merely from the framework of analytical economics may be to misunderstand behavior completely." Thus, the "non-income objectives" of union wage policy were discussed. He did assert, however, that "a central element of (union) wage policy is involved in formulating some judgment of the effects of alternative wage structures on employment." (p. 60).

In a paper at the January, 1947 meeting of the American Economic Association, I suggested that an analysis of the forces or pressures that were pushing the decision-makers in both unions and companies was needed and that "hypotheses developed in a few situations studied in detail may then be tested in a larger number of situations studied less intensively."⁶ The difficulty of getting reliable information on motives of decision-makers was pointed out, with the consequent necessity to "live with" many wage-policy situations in order to get beneath the surface.

Arthur Ross next came forward with an important series of journal articles later re-published in one volume, *Trade Union Wage Policy*, (1948).⁷ Ross entered the lists against all economic models of trade unions as wage-fixing institutions, and he singled out Dunlop's model for particular attack. His alternative model was that a "trade union is a political agency operating in an economic environment," (p. 12) and he asserted that in making wage decisions,

"the (union) officials must harmonize various pressures which are focused upon them in the bargaining process. These pressures emanate from a

⁶ Charles A. Myers, "Approaches and Problems in Wage Research," *Proceedings, American Economic Review*, Vol. XXXVII, No. 2, May, 1947, pp. 367-74.

⁷ University of California Press, Berkeley and Los Angeles, 1948. The first article (Chapter II in the book) was entitled "The Trade Union as a Wage-Fixing Institution," *American Economic Review*, Vol. XXXVII, No. 4, September, 1947, pp. 566-88.

complex of political relationships surrounding the officials, relationships with the rank and file, with the employers, with other organizational levels of the union, with the rest of the labor movement, and with the government . . . They attempt to reconcile the pressures in such a manner as to contribute most to the survival and growth of the organization." (p. 43).

"Orbits of coercive comparison" within which these pressures operated varied with particular unions. "The economic environment," Ross said, "is important to the unions at the second remove: because it generates political pressures which have to be reckoned with by the union leader." (p. 14). "The influences determining wages run in political more often than geographical or industrial orbits." (p. 74).

In direct contradiction to Dunlop (and many earlier labor economists who discussed union wage policy in the broader context of collective-bargaining policies).⁸ Ross argued that "the employment effect cannot normally be the subject of rational calculation and prediction at the time the bargain is made, and union officials are normally in no position to assume responsibility for it. It is the exceptional case which is so widely celebrated in the literature of labor economics . . ." (p. 80). Summarizing this point in his Introduction, he concluded that "the typical wage bargain (with certain significant exceptions) is necessarily made without consideration of its employment effect." (p. 14).

This parenthetical element of moderation which crept into his Introduction, written after the main argument had been published earlier in the journals, was also expressed in the statement that "the union as a political agency has been emphasized at the expense of the economic environment in which it operates, not because economic influences are considered unimportant — for they are highly important — but because they have been dealt with more extensively by other writers." (p. 13). Having paid his respects to these scholars in an appropriate and lengthy footnote, however, Ross proceeded to demolish economic maximization as a meaningful objective or useful element in his model of the trade union bargaining on wages.

Methodologically, Ross did not begin with hypotheses which he then tested in particular case studies. Instead, he was looking at union

⁸ See, for example, Sumner H. Slichter, *Union Policies and Industrial Management*, The Brookings Institution, Washington, 1941; Gladys Palmer, *Union Tactics and Economic Change*, University of Pennsylvania Press, Philadelphia, 1932; Joseph Shister, "The Economics of Collective Wage Bargaining: A Case Study," *Journal of Political Economy*, Vol. LI, No. 4, August, 1943, pp. 338-347.

wage policy broadly, even though he apparently developed his ideas in part from discussions with union representatives. There is no difficulty in learning why decisions are made, he said, for "intelligent union and management representatives understand well enough why their decisions are what they are. . . . This understanding is accessible to the student of industrial relations if only he is willing to accept it on its own terms and refrain from imposing an alien logic upon what he finds." (p. 8). Later, he explained that "union wage policy can best be understood by examining the operating decisions which are reached in the course of the bargaining process. . . . They are made 'when the chips are down' and reflect, more than anything else, the real determinants of policy." These "operating decisions" included such questions as: "Should the wage provision of the agreement be reopened? What should be the union's initial demand? Should the employer's initial offer be accepted? What should be the union's compromise demand, and should the employer's compromise offer be accepted?" And so on. "Union wage policy," Ross said, "is found in bargaining decisions; determinants of policy are the influences bearing upon these decisions." (p. 11).

While this controversy over the appropriate model of a trade union as a wage decision-making unit was growing, studies of company wage policies were begun. Richard A. Lester's monograph appeared in 1948⁹ based on questionnaire and interview material collected from 107 manufacturing firms during 1946. Only six of these were operating under non-union conditions. Lester did not develop a model of the firm in wage determination, but he did analyze the announced objectives of company wage policies and the pressures or forces which were seen as important.

"Conventional wage theory," he concluded, "disregards non-economic considerations, such as the stress that some companies place on ethical notions, employee loyalty, and company standing, as independent factors in wage determination." (p. 45)

Industry orientation of company wage policies was found to be increasing with greater intercompany cooperation in wage changes and as a result of trade union pressure in such "well-defined" indus-

⁹ *Company Wage Policies: A Survey of Patterns and Experience*. Industrial Relations Section, Princeton University, Princeton, N.J. Earlier, Lester and Edward A. Robie analyzed the impact of industry-wide and regional collective bargaining on wages in their monograph, *Wages Under National and Regional Collective Bargaining: Experience in Seven Industries*, Princeton, 1946.

tries as oil, steel, rubber, meat-packing, automobile assembly, etc. Nevertheless, community wage levels were the principal pressure in half of the companies studied, and were considered in combination with industry levels in an additional fourth of the companies. (p. 12). Commenting on the need for further research, Lester said:

"More intensive investigations of the process of policy formulation and administration, by firm and by industry, are needed to supply adequate information on the personal, social, and economic forces that determine company decisions on wages under varied circumstances . . ." (p. 9).

One such study, combining an intensive investigation of both employer and union wage policies in a particular industry, was George P. Shultz's study of the men's shoe industry, begun in 1947 and published in 1951.¹⁰ This drew upon the methodology suggested by earlier studies, and sought to analyze the pressures on wage decisions as seen not only in general wage movements, but also in adjustments in the piece-rate structure and in the "grade system" of relating labor costs to product prices. Vigorous competition in the product market was found to be the principal pressure facing the employers, with political influences within the union as a secondary pressure.

On the union side, the political pressures which Ross stressed were found most important at times when the economic environment was favorable, and in particular for general wage movements. But Shultz concluded:

"At less prosperous moments during the thirties, the most compelling pressure behind union actions has been that of actual or threatened unemployment. To this pressure the union has responded with differentiated wage adjustments, made through the mechanism of the grade system. These bargains have, in many cases, been explicit wage-employment bargains." (p. 137).

The importance of employment as a pressure facing union leaders through the membership concerned about job security was developed further in an article by Shultz and myself, drawing on the shoe study and a labor market study in Nashua, New Hampshire. Here, we concluded that "the conditions which make it necessary to consider 'the employment effect' are found in a number of industries, particularly those in which (a) there is strong competition in

¹⁰ *Pressures on Wage Decisions: A Case Study in the Shoe Industry*, The Technology Press and John Wiley & Sons, Inc., New York.

the product market, and (b) the industry is not completely organized."¹¹ We added that:

"The employment effect, of course, must be taken into account in a political setting, for clearly a union is a political institution. But the economic environment within which a particular union functions, no less than the political environment generated by rival unions and rival factions within the union, influences policy decisions. It is a mistake to assert that either the economic or the political pressures are all-important."

George Seltzer's study of pattern bargaining in the basic steel and steel-fabricating industries showed clearly how these pressures vary in importance over time and between different product markets and local labor markets.¹² Comparing collective-bargaining agreements during the years 1946-49, he found that "the period of greatest conformity . . . coincided with a sellers' market for their products," "but with the return of more balanced supply-and-demand relationships, the union-wide policy tended to give way where it came into conflict with market conditions." (p. 331).

The importance of the sellers' market in explaining the strength of Ross's political pressures was further developed by Lloyd Reynolds in his book, *The Structure of Labor Markets*,¹³ which was a notable merger of labor market research and wage research. Looking at the New Haven labor market, he made the following observations on pressures affecting company wage policies:

"Union Wage Decisions and Employment," *American Economic Review*, Vol. XL, No. 3 June, 1950, p. 379. The labor market study was subsequently published as *The Dynamics of a Labor Market*, New York: Prentice-Hall, Inc., 1951. Subsequently, M. W. Reder pointed out quite rightly that we failed to distinguish clearly between (a) conditions under which union leaders responded to unemployment in formulating wage policies; (b) conditions under which they recognized the employment effect of their wage demands. "The Theory of Union Wage Policy," *Review of Economics and Statistics*, Vol. XXXIV, No. 1, February, 1952, p. 42. Kirk Petshek also analyzed some of the same problems in his article, "Employment as an Element in the Wage Bargain," *Quarterly Journal of Economics*, Vol. LXIV, November, 1950, pp. 633-41.

¹² "Pattern Bargaining and the United Steelworkers," *Journal of Political Economy*, Vol. LIX, No. 4, August, 1951, pp. 319-31. Seltzer concluded: "The trend toward downward deviations from the key bargain in USA-CIO agreements suggests in itself an employment consideration in union wage behavior even during a period generally high employment. This is confirmed repeatedly by explanations of union negotiators for below-par settlements. It is the USA-CIO's concern for preserving the jobs of its members which, more than any other factor, explains why the fears created by pattern bargaining are unjustified." (p. 331).

¹³ New York, Harper and Brothers, 1951 (Yale Labor and Management Center Series). Especially Chapter IX, "Toward a Revision of Labor Market Theory."

"The main reason why the wage levels of different plants tend to move together is neither the existence of unionism nor interplant movements of labor, but rather the fact that the wage-paying ability of most firms is moving in the same direction at the same time. The size of the wage increases given by different firms tends to be uniform within clusters of firms whose limits are defined by (1) interplant rivalry for markets, and (2) inter-union rivalry for members . . . Pressure for uniformity of increases is at a maximum where the two types of boundary coincide, where there is *both* interplant and inter-union rivalry." (p. 231).

Labor market pressures enter, Reynolds added, at the lower limit of the "range or band of feasible wage levels at which a firm may operate." The low-paying firms "do have a labor supply problem, arising not so much from losses of labor to high-wage firms as from the difficulty of inducing unemployed workers to accept their jobs." (p. 233). The upper limit of the band is (for a non-union firm) the "maximum which it can pay without being considered 'unethical' by other employers," (p. 233) and for unionized firms, "by the highest wage level which any union in the area is impelled to demand and able to enforce." (p. 236). Firms whose wage-paying ability is high (due to managerial efficiency, control of product markets, on a favorable trend of demand) are toward the top of the band, while less-efficient firms or those whose wage-paying ability is declining, tend to be toward the bottom.

Reynolds' model of the trade union is not unlike Ross's, but with more room for the play of various pressures. Instead of acting like monopolistic sellers of labor, union leaders

"probably follow the principle of economy of effort in pressing for wage increases. There is no indication that they try to get much above the minimum which they judge necessary to keep the members satisfied with the union and its present leadership. There is no indication that they try to maximize the wage level, the wage bill, or any other quantity. The reason may be that, as the size of the wage demand increases, employer resistance grows steadily while the added advantages *to the union as an organization* diminish." (p. 236)

More recently, there have been at least two attempts to synthesize conflicting models of the trade union as a wage decision-making unit. M. W. Reder's article on "The Theory of Union Wage Policy,"¹⁴ and Albert Rees's paper on "Union Wage Policies" for the 1952 I.R.R.A. research volume,¹⁵ both pointed to economic pre-conditions within

¹⁴ *Loc. cit.*, esp. p. 45

¹⁵ In *Interpreting the Labor Movement*, Industrial Relations Research Association, 1953, pp. 130-48.

which political pressures operate on union leaders. Reder, more than Rees, put his conclusions in the form of hypotheses which could be tested in further empirical research on wage policies. He suggested, for example, that "the range within which non-economic factors can affect the long-run equilibrium value of the wage rate (for a given firm) will vary directly with (a) the ratio of labor to total cost to the firm, and inversely with (b) the ability of the firm to pass on increased wage costs to its customers." (p. 45).¹⁶

To sum up our discussion thus far, Ross's model of the trade union as a political institution operating in an economic environment is a valid and usable one. Economic pressures, of course, are frequently transmitted to the leadership by the political route through the membership. Empirical research of the past ten years has helped us formulate more adequate hypotheses about the functioning of this model of the trade union and also of the firm in wage decisions. I suggest that the following hypotheses grow out of this research, and could be tested in further empirical studies, in particular firms, unions, and industries:¹⁷

1. The greater the degree of unionization in an industry, the weaker are the economic pressures on any particular firm to resist wage demands and the wider the range within which political pressures can operate on the union leaders.

2. Conversely, the smaller the degree of unionization in an industry, the stronger become the economic pressures on both the union leadership and on the firm to make out-of-pattern wage settlements, and the narrower the range within which the political pressures can operate upon the union leadership to match settlements in other firms and industries. These conflicting pressures, however, tend to be resolved in a manner which is politically acceptable to the union's survival as an institution.

3. In both (1) and (2) — which are essentially static and are concerned with the elasticity of the demand for labor in the firm and in the industry — the greater the increases in demand for the product of the industry as a result of cyclical or secular changes, the more permissive or favorable are the economic pressures and the wider the

¹⁶ This hypothesis is correctly stated if "inversely" is substituted for "directly" and "directly" for "inversely." Professor Reder agrees that these were inadvertently reversed in his original statement.

¹⁷ In formulating these hypotheses I have benefitted from my discussions with my colleagues and graduate students who participate in a weekly seminar in industrial relations research at M.I.T. Not all of them agree with these formulations, however.

range within which the political pressures can operate on wage-decision makers. Conversely, the greater the downward shifts in demand, the more restrictive are the economic pressures in particular firms, parts of an industry, or industries as a whole, and the narrower the range within which political pressures can operate.

Methodologically, we have learned not to draw generalizations from the testing of only one of these hypotheses. The *total context* within which an institution operates, whether it be a firm or a union, needs to be examined, and the *interaction* of the pressures in a given situation requires particular attention. This can best be done by field research which goes behind the published statements and the rationalizations which so often are used to explain behavior after it occurs. Our empirical studies in the past decade have pointed that way.

While further studies of company and union wage policies would be desirable, equally pressing research needs exist in other areas. There has been very little empirical research, for example, on the economic adaptation of firms to changes in money wage rates, since the study done in 1940 under the direction of the B.L.S.¹⁸ Possibly this is because there has been little need to adapt by any other means than raising prices in most years since 1940. In the face of stable or declining product prices, how do firms adjust to fixed or rising levels of money wages? Research which examines the varieties of adaptation in particular firms under different cost, product market, and collective bargaining conditions should also make a contribution to the theory of the firm.

Other still fruitful areas for empirical wage research are found in the two reports by Reynolds of the wage research conferences sponsored by the Committee on Labor Market Research of the Social Science Research Council. There is no need to elaborate these here, when copies of the reports are still available to interested research workers.

After these conferences were held, another area of empirical wage research attracted the attention of some labor economists and

¹⁸ Douglass V. Brown *et al.*, *Industrial Wage Rates, Labor Costs and Price Policies*, Washington; Temporary National Economic Committee, Monograph No. 5, 1940. Richard A. Lester's questionnaire study of Southern firms was directed at some of the same questions, with a different methodology. See his, "Shortcomings of Marginal Analysis for Wage Employment Problems," *American Economic Review*, Vol. XXXII, No. 1, March, 1946, pp. 63-82, and Fritz Machlup's reply, "Marginal Analysis and Empirical Research," *loc. cit.*, Sept., 1946, pp. 519-54.

economic theorists: the influence of unionism on earnings.¹⁹ We have had statistical analyses, showing various results depending upon whether the investigator favored percentage or absolute measures of earnings increases, and what bases, industrial groups, and degrees of union organization he used in his computations. The obvious methodological difficulty is in isolating union influence from the effects of oligopoly, changes in demand, changes in productivity, etc. Rees, in his study of "Postwar Wage Determination in the Basic Steel Industry,"²⁰ recognized this difficulty, but came up with the intriguing suggestion that unions in that industry may have kept wages below the level which they would otherwise have reached as a result of labor market and product market pressures.

Surely, this tentative hypothesis needs testing in other industries before we or our colleagues in economic theory can accept it as a valid generalization. This is the challenge for empirical research on wages, as in all social science research: to develop models and state hypotheses growing out of new insights and existing data, to test these in a variety of situations so that research may be additive and cumulative, and to re-state the models and hypotheses in the light of this research until we arrive at more valid generalizations.

¹⁹ For example, see Arthur M. Ross, *op. cit.*, pp. 113-33; Ross and William Goldner, "Forces Affecting the Interindustry Wage Structure," *Quarterly Journal of Economics*, May 1950, pp. 254-81; Joseph W. Garbarino, "A Theory of Interindustry Wage Structure Variation," *Quarterly Journal of Economics*, Vol. LXIV, May, 1950, pp. 282-305; Harold M. Levinson, *Unionism, Wage Trends, and Income Distribution, 1914-1947*, University of Michigan Press, 1951; and John T. Dunlop, "Productivity and the Wage Structure," in *Income, Employment, and Public Policy*, New York: W. W. Norton, 1948.

²⁰ *American Economic Review*, Vol. XLI, No. 3, June, 1951, pp. 389-404. For another example of a useful type of empirical research, see Stephen P. Sobotka, "Union Influence on Wages: The Construction Industry," *Journal of Political Economy*, Vol. LXI, No. 2, April, 1953, pp. 127-43.

SOURCES OF WAGE DATA

ROBERT L. RAIMON

THE TITLE OF THIS PAPER, *Sources of Wage Data*, in effect, asks the question: sources of wage data for what purpose? Any evaluation of the kind of wage information now available or any proposals for the kind that should be made available hinge on the "for what purpose" question. Employers, unions, workers, government, and researchers all have an interest in wage information, but often each seeks different kinds of information, and upon different occasions the needs of each of the parties may change. While the community wage surveys of the Bureau of Labor Statistics may be regarded as general-purpose wage surveys, there is no such thing as an all-purpose wage survey. Nor, for that matter, can one readily envision an all-purpose wage collection program. Both for those involved in making wage decisions and for those studying the nature and impact of those decisions as a part of a continuing effort to refine wage-employment theory, the special-purpose wage study is often essential. The most that can be asked of public wage collection programs is that with the resources available the data collection efforts be of such a kind as to provide maximum utility to the users of the information. Because the resources made available are limited — indeed, too limited — and because different groups may have different needs, the resulting program, of necessity, is of a compromise nature.

Of course, it may happen that a compromise program suits nobody. The great volume of private wage survey work conducted by individual companies, employer associations, and trade unions may indicate dissatisfaction with government surveys. One might conclude that from the practitioner's point of view this is the case. Similarly, judging from the complaints of labor economists, the same view may prevail. Six years ago, in a session on research in wages very similar to this one, the following summary comment was made:

Work on wages still has no clear theoretical or practical orientation. Nor is there a very close connection between those engaged in gathering wage information and those who have occasion to use it. The data collectors do not always have a clear idea of the needs either of theoretical economists or of those who have to use wage data in collective bargaining or business administration.¹

¹Quoted by Paul Webbink in the introduction to Lloyd G. Reynolds' *Research on Wages: Report of a Conference Held on April 4-5, 1947, at the Yale Labor and Management Center*, (Prepared for the Committee on Labor Market Research, Social Science Research Council, Pamphlet No. 4), p. iii.

Since 1947, the most important change in the wage information field has been the appearance of the BLS cross-industry, community wage surveys. The contribution of this change to labor market research will be the subject of later remarks.

However, before reviewing the character of public wage information as it relates to current problems in research, I propose to describe one group of private wage surveys. This sequence will permit reference to private information as supplemental to public information in relating wage information needs to the research questions outlined in the second half of this paper.

While it is helpful to restrict the following comments to the wage interests of researchers concerned with labor market phenomena, this is not license to ignore the attitudes toward wage information of those engaged in the wage determination process. Much as the price theorist recognizes the importance of accounting conventions, the wage researcher may find clues to a better understanding of the wage determination process by studying one of the chief means used by employers in reaching wage ends — the wage surveys employers use and often design and conduct. It will be recalled that Professor Lester found that almost all of the companies he studied used private wage surveys, and that more than one-half of them made their own surveys.² Of 95 companies responding only two “mentioned any use of government wage surveys.”³ In addition to the value of private surveys to the researcher as clues to the ways in which employers and unions regard comparative wage data in reaching wage decisions, such surveys may occasionally serve to throw light on other questions difficult to reach by reference to the familiar public survey series only.⁴ We are more acquainted with public surveys than private ones. It might, therefore, be well to review the outstanding features of those of the private surveys about which information is available — the surveys of employer associations which Professor Tolles and I had occasion to

² *Company Wage Policies* (Princeton: Industrial Relations Section, Princeton University, 1948), p. 10.

³ *Ibid.*, pp. 12-13. However, the BLS has had occasion to note, for example, that “more than 10,000 letters of requests have been received for the results of 1949 clerical [wage] studies alone.” H. M. Douty and T. P. Kanninen, “Community Approach to Wage Studies,” *Monthly Labor Review*, October 1949, p. 367, fn. 10. It might be helpful, in fact, if the BLS prepared a report on the varying importance of the several BLS wage series to employers and unions as measured by the requests for information which the Bureau receives.

⁴ It is understood that the conduct of a wage study by a university is a last resort measure, both because of the expense and the fact that such surveys, having no antecedents, are of little value with respect to questions pertaining to the behavior of wage structures and levels over time.

study.⁵ As yet, little is known in an organized way of the wage survey efforts of individual companies or trade unions.

Content of Association Surveys

Comparative wage information is now systematically collected from at least 62,000 establishments by at least 166 employer associations. The companies which participate in these wage surveys employ ten million workers and the wages they report apply specifically to at least four million of these workers. The great majority of participating companies are of medium size. The larger and more affluent corporations typically conduct their own surveys.

Only one-sixth of the surveys were in existence prior to 1940. Almost two-thirds were begun after V-J Day. The upsurge of survey work in the postwar years may be attributed in large part to the interest the War Labor Board created in comparative wage information, to the relative tightness of many labor markets in recent years, as well as to the increasing popularity of using facts and figures in collective bargaining.

It is clear that the predominant purpose of the wage studies by employer groups is to furnish the individual employer with a standard against which he may compare his wage structure with that of other employers. Nine-tenths of the surveys seek occupational wage information, rather than simple all-employee averages of earnings. One-third of the associations survey key jobs only, the rest survey what would generally be regarded as too many occupations. This "excessive" information is collected either out of ignorance or in order to meet union wage inequity charges. Interpolation in bargaining over wage relationships often is found to be less persuasive than actual coverage.

Many of the associations include special reports on hiring rates in the surveys. One-third of the wage surveys of employer associations include some form of specific report on the extent, nature, direction, and amount of general wage changes over some previous time period. This may be regarded as consistent with the findings of Reynolds and Lester to the effect that an important element in employer wage policy is "keeping up with the area."⁶

⁵ *Sources of Wage Information: Employer Associations*, (Ithaca, N.Y.: Cornell Studies in Industrial and Labor Relations, Vol. 3, 1952).

⁶ Lloyd G. Reynolds, *Structure of Labor Markets* (New York: Harper & Brothers, 1951), pp. 156-159. Richard A. Lester, *op. cit.*, pp. 13 and 42.

From a few to many fringe items are surveyed by three-fifths of the associations. However, only ten percent report fringe data in terms of cost to the employer. Only ten percent of the association surveys report wage data by some measure of establishment size. Even fewer report the data by unionization. (Of course, such information often is available in association files.)

Method of the Surveys

Less than one-tenth of the associations use field agents to collect the wage information. The mailed questionnaire is the chief data gathering device, supplemented by telephone exchanges between the association secretary and the participating firms.⁷ Job titles without job descriptions are used in one-half of the surveys that seek to report occupational wage information. Several of the associations collect occupational wage information in job evaluation terms common to their membership. This device is thought to yield more accurate data than are possible by reference to job descriptions only. It is evident, however, that for the most part, the precision of the association surveys is below that of the BLS, which almost always uses field agents and job descriptions in its occupational survey work.

Payroll records are the source of information for 85 percent of the association surveys. Only 15 percent use the wage schedules contained in collective agreements. Two-thirds of the surveys report straight-time average hourly earnings. Most of the remainder report straight-time weekly salaries. The latter pertain chiefly to office-clerical workers—a group much surveyed by private agencies. If unions succeed in organizing office-clerical workers, it will not be because employers are ignorant of wage movements in that field.

Fifty percent of the association surveys are conducted annually; twenty-five percent are conducted more than once a year. Most of the association surveys report wage information in terms of a general distribution of the data for the universe covered. Some report averages only. Many provide frequency distributions. Of particular interest is the fact that as many as one-third of all the wage surveys of employer associations report the data company-by-company. I believe this practice is even more common in the surveys conducted by individual corporations. When such a reporting scheme is used, the identity of individual companies is usually protected by a code. How-

⁷ See Samuel A. Cohen, "A Test of the Validity of Collecting Wage Statistics by Mail Questionnaire," BLS, 1953, mimeographed.

ever, it is probable that in many associations the code is known to the participating members. As might be expected, the company-by-company arrangement is more common in industry surveys than in area surveys.

Two-thirds of the surveys are essentially industry-oriented, and one-third cross-industry and area-oriented. Of course, some of the industry surveys subdivide the data by area, and some of the area surveys subdivide the data by industry. The surveys of office-clerical wages only are typically local and cross-industry in their coverage. In view of the greater numbers of industry surveys as compared with cross-industry surveys, it is not surprising that manufacturers' associations are considerably more active in the survey field than are local chambers of commerce.

In addition to a proprietary interest in private surveys and the freedom to design the surveys to meet particular needs, one feature that particularly endears nongovernmental surveys to employers is the rapidity with which results are made available. The modal time lag between the inception of the data collection process and the return of results is six weeks for association surveys; few associations require much more than six weeks.⁸

Even with respect to the minority of associations that use field agents and job descriptions in the collection of wage information, the quality of the surveys may be regarded by the technician as doubtful because of the lack of attention to sampling problems. The sample of almost every association consists of those of its members who care to participate. (The median number of establishments included in association surveys is 84.) Few of the associations even attempt to define the universe the data are intended to represent. None of the associations studied blow up the data in the fashion of the BLS in order to portray total coverage of employment in the universe. One-third of the association surveys do report the number of reporting establishments and the number of surveyed workers per occupation covered.

It is probable that the surveys of large corporations, financed by more liberal budgets and unburdened by membership problems, pay more attention to sampling issues. Also, as has been noted, most of association survey work is no more than several years old. Many of the errors of amateurism may be expected to be remedied in the

⁸ The BLS practice of making the preliminary results of its surveys available in considerably less time than is necessary to the issuance of the formal bulletins should be noted in this connection.

future. But more important, the labor market is sufficiently imperfect, in the sense of employee insensitivity to interfirm wage differences, as to fail to make apparent to employers the desirability of prompt correction of the failure of many of their area surveys to represent the wage comparisons relevant to problems of recruiting and retaining labor. Indeed, not even the BLS surveys are specifically structured on the basis of known patterns of worker mobility. In fact, we are just beginning to learn the nature of such patterns. Yet the area embraced by such patterns presumably is the ideal one for the survey of wages as income. Moreover, most of the association surveys, being industry-oriented, seem more inspired by a desire to permit labor cost comparisons than by a concern with problems of labor recruitment and turnover. The inadequacies of straight-time hourly rates as an interfirm measure of labor costs per unit of output seem to receive little attention. Some of the association surveys are even misnamed "labor cost surveys," although I doubt if such surveys, in the real meaning of the term, have ever been undertaken to any appreciable extent. Of course, the failure of wage surveys to permit accurate cost comparisons does not render them useless to the employer contemplating effective bargaining strategies in the face of a union intra-industry wage standardization drive. Also, for the employer member of an association who is informed with respect to the cost structure of his competitors in the product market, an interfirm comparison of hourly rates may have more meaning than to the outsider. The frequent use of what might normally be regarded as an awkward presentation scheme, the company-by-company method of reporting wage information, is made more understandable in the light of the foregoing comments.

Lack of marked concern by employers with definitions of the appropriate universe may also be explained by recollection of the fact that no going establishment can contemplate the wholesale incorporation of raw labor market or industry occupational averages into the wage structure of the firm. Rather, comparative wage information is sought simply for background purposes in wage administration or for guides to the contemplation of general wage changes. The sufficiency of a narrow sample is best evidenced by the high incidence of informal, telephone wage surveys in which employer association secretaries find themselves engaged throughout the year. Many an association indicated that these spot surveys are more important than the formal annual surveys.

Before leaving this profile of association wage surveys, mention should be made of the confidential nature of private wage information. Almost all of the association surveys are called confidential. This means that distribution is limited to association members and perhaps to other employers with a friendly interest. Naturally, no employer would contribute to association surveys if the data were to be made available to persons with an adverse interest. Indeed, association members are cautioned not to bring the surveys into bargaining sessions, but simply to use them as background information or as a basis for the preparation of exhibits. On the other hand, the business community, represented by the 120 associations Professor Tolles and I studied, were, with but a handful of exceptions, pleased to cooperate in a legitimate university research program. I have no reason to believe other universities would have a dissimilar experience, provided appropriate assurances were made.

A more important question pertains to the areas of wage research toward which private data, hitherto hardly used in labor market research, might be of use, either as supplementary to government information or by itself. I shall try to suggest illustrative possibilities in the course of the following comments. The preceding remarks perhaps already have indicated the way in which study of private surveys might be of assistance in improving our knowledge of the formulation of wage policy at the company level. It should be emphasized that in describing the "typical" association survey, I have given no hint of the high quality of several of the association programs. For research problems requiring a representative sample and a high degree of accuracy, the private association sources to which the researcher might turn are not numerous. On the other hand, when research interest is focussed at the company level, and when only a few inter-company comparisons are contemplated, a larger number of association survey programs might be found attractive. Also, as has been noted, the general level of the wage research efforts of individual corporations is probably superior to that of employer associations.

Orientation of Wage Studies: Cross-Industry and Local or Intra-industry and Regional or National

As has been noted, the most important development in wage statistics in recent years has been the appearance of the BLS cross-industry, community wage surveys. From the point of view of facilitating work in labor market analysis, I think this has been a welcome development, even if it may have involved siphoning off funds that

might have been used to conduct industry wage structure surveys on a national basis.⁹ Four reasons in support of this position come to mind:

(1) Straight-time hourly rates or earnings, the unit of measurement used, and the unit apparently of most general interest may be an imperfect measure of wage income,¹⁰ but it is an even worse measure of wage costs.¹¹ Hence, inter-firm comparisons of wages are more meaningful if wage income is being compared rather than labor costs. Not unless the surveys compare labor cost per unit of output may they be regarded as valid guides to comparative costs.

(2) The studies of labor mobility conducted during the recent years of high employment volume have emphasized the remarkably slight industry attachment demonstrated by mobile workers.¹² Thus, if one is considering the income aspect of wages, the area of wage comparisons should cross the industry lines that the workers receiving such wages cross. Moreover, one cannot meaningfully relate unemployment rates to wage movements on other than a locality basis.

(3) Industry categories seem to be becoming less and less meaningful. Along with the increase in the average size of company, the multi-product company increases in importance. The abandon with which some unions cross historical industry lines in efforts to expand does not help to clear the statistical picture for the labor economist. The blurring of industry lines may explain, in part, why a recent compre-

⁹ However, Harry Douty, in 1950, reasoned that the community surveys "will undoubtedly make possible the development of more information on an industry basis than any other type of program would permit." "Conceptual Problems in the Development of an Adequate Program of Occupational Wage Statistics," Industrial Relations Research Association, *Proceedings*, Chicago, December 28-29, 1950, p. 229.

¹⁰ In this connection it is of interest to note that a recent study of industry wage differences showed a high correlation between gross hourly and annual wages. Donald Cullen, "Factors Affecting the Inter-Industry Wage Structure, 1899-1950," (Ph.D. Dissertation, Cornell University, 1953), pp. 60-70.

¹¹ TNEC Monograph No. 5, *Industrial Wage Rates, Labor Costs, and Price Policies*, p. x; Lloyd G. Reynolds, *Labor Economics and Labor Relations*, pp. 356-357. The few association surveys that related wages costs to thousands of board feet of lumber production or work loads in textile operations showed wide differences in efficiency among firms in the lumber and textile industries.

¹² Gladys Palmer, *Major Findings of the Survey of Occupational Mobility in Six Cities, 1940-49*, conducted by cooperating university research centers and the Social Science Research Council for the U.S. Department of the Air Force and the U.S. Bureau of the Census, 1952, pp. 22-23, mimeographed; Lloyd G. Reynolds, *Structure of Labor Markets*, p. 41; Donald J. Bogue, *A Methodological Study of Migration and Labor Mobility in Michigan and Ohio in 1947*, (Oxford, Ohio: Scripps Foundation Studies in Population Distribution, No. 4, June 1952), pp. 13-14.

hensive examination of inter-industry wage structures found skill-mix and little else to correlate with industry wage differences.¹³

(4) As an historical series of community wage studies builds up, our ability to measure changes in wage relationships and levels will be more broadly based and hence superior to the measurements which might be derived from industry studies only. See, for example, one of the first research fruits of the community survey program in the November 1953 issue of the *Monthly Labor Review*, "Occupational Wage Relationship in Manufacturing, 1952-53."¹⁴ Certainly, annual surveys of each of the 40 major labor markets, instead of just 17 as in this year, would be desirable, both for the researcher and for the practitioner.

Of course, the BLS community surveys are not free of imperfections. Those of us concerned with industry wage differences would like to enjoy more than an occasional opportunity to make occupational wage comparisons among the several industries surveyed and the labor market generally. Toward this end it is essential that the BLS include more of the cross-industry occupations in the industry sections of the surveys. Also, special studies of the wage effects of limiting the coverage of the surveys to establishments above specified size limits would be desirable. Finally, it must be recognized that while the exclusion of government employees may be helpful to the administration of regulations pertaining to the tying of wages of government employees to the private sectors of the economy the exclusion of representation of five or six million members of the labor force does not enhance the quality of the surveys. In the Albany survey, for example, the exclusion of state workers may have a major impact on the wage results reported.

The community wage survey program of the BLS is only a few years old. To date, little apparent use has been made of it by labor economists. No doubt, the most important explanation for this is to be found in the youth of the program and the long gestation periods of the journals. But perhaps part of the explanation lies with a pre-occupation with the effect of unions on wages and employment by industry — by industry since almost all unions are organized along industry lines. Of course, the recent mobility studies are an important exception. These studies certainly make it clear that each industry does not enjoy a labor market of its own, but that each shares that

¹³ Donald Cullen, *op. cit.*, *passim*.

¹⁴ T. P. Kanninen.

market with other industries. Indeed, one of the fundamental challenges confronting the researcher today involves the expansion and integration of three facets of labor market information; (1) the mobility studies of the universities,¹⁵ (2) the community wage studies of the BLS, and (3) the community unemployment and industry profile data of the BES.

Currently, research in a part of this area as in other areas is sharply limited by the lack of straight-time wage rate information. When the community wage studies have accumulated for a number of years, this gap will in part be filled. Today, however, if one were to seek to measure the extent to which local labor supply differences among labor markets are neutralized with respect to wage rate change decisions by reason of the rise of industry or pattern bargaining, that is to say, to measure the effect of tightness or looseness of job markets on wage decisions, the only wage data available for the purpose are the BLS monthly hours and earnings series which is reported in gross terms only.¹⁶

A promising alternative approach to a related question is the use of BOASI wage data, relating industry wage differences to mobility patterns.¹⁷ Unhappily, BOASI wage data have serious limitations; for example, not only is occupational information not reported, but one cannot even distinguish factory workers from office-clerical workers.

Wage Patterns

The headlined wage patterns or rounds of the immediate post-war years came and more or less went without one satisfactory study appearing, as far as I know, which measured the degree of uniformity or universality with which the rounds were introduced into individual labor markets. The absence of both the BLS *Monthly Report on Current Wage Developments* and of the community studies accounts in large part for this failure. Similarly, little work has been done on the effect of wage bargains, originating at the industry level, in Detroit or Pittsburgh, for example, on local wage levels. Probably such efforts might be best undertaken with access to individual company data. Some of the employer associations with long records in the conduct

¹⁵ The Bureau of Employment Security is also reported to be studying commuting patterns. See the *Supplement to the Directory of Important Labor Market Areas*, September 30, 1953.

¹⁶ Use of the BLS conversion formula might raise more questions than it answers.

¹⁷ See Donald Bogue, *op. cit.*

of community wage surveys might prove useful in this line of research, particularly those that report wage information on a company-by-company basis.

With the advent of the BLS Wage Chronology Series, an opportunity is provided to trace the timing and the extent to which changes in wage structures and wage levels by the pattern setters are introduced into each of the several industries represented in the Chronologies. Such an effort, of course, depends on the availability of company data among the followers. Again, private wage survey programs might prove useful.

Company Wage Questions

If industry lines are increasingly blurring, perhaps we should turn our attention to the wage structures and levels of individual companies. A number of interesting questions remain largely unanswered. One pertains to the impact of unions on company wage structures, a subject being covered by Mr. Dooty in another session. Others include the following: do quit rates differ between union and non-union companies? Do multi-union companies show higher wage levels than single-union companies of comparable skill-mix? How does employee performance compare in companies with rate ranges as contrasted with single-rate companies? If in loose labor markets the incidence of job vacancies is the most important factor in allocating labor among employers, how important are wage differences in the allocation of labor within the plant, with respect to the operation of bidding systems? How have company wage structures survived tight labor market conditions, as in Hartford, as compared with loose conditions, as in New York City? To what extent do inter-industry wage differences exceed intra-industry differences, an implicit assumption of most of the studies of industry wage differences?

Obviously, most such questions can be reached by field work only. But some, the quit rate item, for example, might be included in the schedule of questions used by private or public agencies now engaged in the conduct of wage surveys.

Occupational Wage Diversity

The typical occupational wage survey, whether conducted on an intra-industry or cross-industry basis, yields a picture of widespread intra-occupational wage diversity. Perhaps one of the most important reasons for such diversity, especially with respect to office-

clerical occupations, is the length-of-service wage progression feature popular in many companies. Wage surveys as presently conducted do not permit segregation of the impact of this factor. What is needed are some experimental occupational surveys designed to collect wage information on the basis of length of service. Consider, for example, the many office-clerical salary surveys of the New York City area by both government and private agencies. In a sense, the office-clerical market in New York offers one of the best approximations to the theoretical model—and yet very little work has been done with it, other than the development of a generalization by the New York Commerce and Industry Association to the effect that occupational wage relationships show a high degree of stability over the short-run.

If, for example, one could persuade an employer association or an individual employer active in survey work that turnover problems concentrate among short-service employees, perhaps existing survey facilities could be harnessed to the kind of length-of-service study which I have mentioned.

Before leaving the subject of occupational wage diversity, perhaps one ought at least to raise the question of the logic of surveying individual occupations in terms of the finite classificatory scheme common to all occupational surveys. The usual rationale was recently restated as follows:

The interplay of demand and supply ultimately determines the relative positions of different occupations and guides job evaluators as well as the wage negotiators of labor and management. Changes in demand and supply likewise determine the trend in occupational wage differentials.¹⁸

A more precise view, in my opinion, was offered by Reynolds:

A worker does not get an opportunity to learn a job until a vacancy develops. Adaptation of labor supplies follows and is induced by changes in demand, rather than the reverse.¹⁹

Both positions cannot be equally useful. If our knowledge of the determinants of wage structures is to be improved to the point where it might more readily be accommodated into wage theory, perhaps we need to develop a more functional system of classifying jobs, one more

¹⁸ Harry Ober, "Occupational Wage Differentials in Industry," in W. S. Woytinsky and Associates, *Employment and Wages in the United States* (New York: Twentieth Century Fund, 1953), p. 466.

¹⁹ *Structure of Labor Markets*, p. 239. This observation is particularly appropriate to unskilled and semiskilled occupations.

closely related than the present system to the actual nature of hiring practices.²⁰

Relating Fringe Benefits to Wages

As fringe items grow in importance, the need increases for pioneering work in relating fringe benefits to wages. The BLS surveys and the private surveys I have seen do not seek to relate money wages and fringe items. The closest approximation to the development of this relationship is to be found in those studies which report fringe benefits in terms of payroll costs. This approach, however, is inadequate to the extent that the correlation is not close between how much fringe benefits cost the employer and how attractive they seem to the employees. The problem is complicated by the fact that individual employees differ in how they regard given fringe items, the differences often relating to the age, sex, and seniority of the individual. Perhaps we shall have to retreat to the use of some kind of point rating scheme, designed to measure the preferences of an "average employee" of specified characteristics.

To date, about the only generalizations forthcoming in this field are that fringe benefits are increasing in importance to employers and to unions, and that high-wage companies seem to offer more liberal non-wage aspects of employment (congeniality of the work situation aside) than do low-wage companies. Hence, surveys of only money wages tend to understate the relative attractiveness of conditions of employment.

Need for Information Dealing with the Factors Allied to Wages

Wage data unrelated to other variables have no meaning. In some areas of research perhaps more effort, at this point, needs to be devoted to the allied factors than to the wage series, as such. For example, more comprehensive studies of the alleged correlation between establishment-size and wages would be desirable. The recent BLS studies of employment by size in metalworking²¹ might well be supplemented by a study of wages in relation to size of employing units. In the highly unionized sectors of the economy, I doubt whether the oft-repeated size-wage correlation any longer obtains as between

²⁰ For an attempt to relate differences in hiring patterns among occupational groups to occupational wage diversity, see Robert L. Raimon, "The Indeterminateness of Wages of Semiskilled Workers," *Industrial and Labor Relations Review*, Vol. 6, No. 2 (January 1953), pp. 180-194.

²¹ Reports Nos. 5 and 32.

medium and large employers. Also, more evidence to support the alleged correlation between community size and earnings is needed. I would not be surprised if the BLS files already contained substantial material on both of these size issues, and we simply await the necessary processing of the data.

Similarly, and this has been said many times, more refined information is needed with respect to the extent of unionization.²² The same might be said of wages in relation to profits and corporate profit retentions, particularly in multi-product companies filing consolidated financial statements only.

Also, the student of historical wage relationships among industries would be greatly benefited by a comprehensive government statement of the comparability problems as it relates to industry definitions. Such information as is available in this area is inadequate. Similarly, one wishes the BLS turnover data were comparable with the hours and earnings data, and that the BES so-called "labor market" information pertained to labor markets instead of to counties where this is not yet the case.

In brief, we surely are a long way distant from the point of diminishing returns as far as inductive work in wage research is concerned.

²² For a discussion of some of the problems involved in this area, see Kirk R. Petshek, "Research on Extent and Scope of Collective Bargaining," Industrial Relations Research Association, *Proceedings*, Chicago, December 28-29, 1952, pp. 220-230.

DISCUSSION

ARTHUR M. ROSS
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It is interesting that Mr. Myers, who has discussed empirical research on wages, and Mr. Reynolds, who has discussed theoretical research, are dealing with the same body of literature to a very considerable extent. Both speakers profess to be slightly embarrassed by this coincidence. Of course Mr. Myers explains it by the fact that he wasn't able to see Mr. Reynolds' paper until after his own had been prepared.

Actually, there is a more fundamental explanation which ought to be a cause for rejoicing in the profession. This is the marriage of theory and empiricism which has characterized wage research in recent years. In the long run this methodological union is perhaps more notable than any of the specific research results which have been obtained for any of the controversies which have raged.

At one time there were the theorists and there were the institutionalists. One wasn't supposed to mix them in the same cage. As late as my student days, labor economics wasn't merely the name of an academic specialty. It was an epithet like yellow journalism, ambulance chasing, or Group Dynamics. One of my professors even urged that labor economists were little better than sociologists.

This distinction no longer makes sense or has meaning. The best work in this field is being done by men who are willing to ask significant questions, reason from cause to effect, and make generalizations: that is, to theorize; but who at the same time are willing to incorporate a broad range of realistic data into their systems. As Myers has noted, there are some who prefer to remain untainted with factual sophistication concerning industrial relations, but this is not really an asset, as some of them suppose, and often leads to curious results.

My colleague, Professor Howard S. Ellis, paid us labor economists a pleasant compliment in the *Quarterly Journal of Economics* last month. "Consider the analysis of wages at the hands of modern industrial relations economists," he said. "Theory mixes intimately with empirical evidence." Can not the same be said of the better work on price determination, and the better work on international economics? The question is no longer whether one theorizes or doesn't theorize, but what he theorizes about. Granting the necessity for abstraction, has he cut out the heart, stomach, and respiratory organs in the process of abstracting, or has he preserved some recognizable similarity to the matter at hand?

Actually there is no scientific basis for a rigid separation between the empirical and the theoretical. Such a distinction is pre-scientific. There was a time when medical "research" consisted wholly of speculative deduction from a few first principles; and some of the results were strange and wonderful, except to the patient. Today this would not be defended as scientific method. The raw material for modern medical research is the human body as it is, with all of its lamentable imperfections. The raw material of modern legal research consists of actual controversies, decisions, and statutes. And by the same token the raw material of economic research should consist of economic institutions as they are. It is to the credit of labor economics that much recent wage research has been based upon this principle.

Of course this has not been without cost. Perhaps the major item of cost has been the decomposition of wage and labor-market theory. The soul-satisfying unity and simplicity of an earlier day has vanished. At one time all right thinking persons believed that wage determination and manpower allocation were part of the same process, which in turn was part of a larger process of price determination and resource allocation throughout the economy. In this general equilibrium, the same principles governed the price of any resource — peanuts, plowshares, or pipefitters — and the same principle governed the allocation of any resource.

Today the theory of labor mobility and the theory of wages are largely separate bodies of doctrine. Mr. Reynolds is credited with a notable integration of the two, yet he asserts as strongly as anyone that two independent processes are involved: that relative wages have little to do with the movement of labor, and that the movement of labor has little to do with the creation of wage differentials. Myers regards relative wages as an important factor in job choice under certain conditions, but I don't believe he regards the relationship as being particularly close as a general proposition.

Because of the virtual separation between allocation and pricing problems in the labor field, wage determination and wage consequences have become distinguished from each other as analytical categories. The causes of a general increase in the wage level are one problem. The results of such an increase, as to production, employment, prices, etc. are another problem altogether. Again, the question of whether unions consider the "employment effect" of their wage policies is entirely distinct from the question of whether there *is* an "employment effect," and if so *what* it is. Some of the critics of my

own work have failed to appreciate this distinction but it's an important one.

Insofar as wage determination is concerned analysis of the wage structure is carried on along different lines from analysis of the wage level. Analysis of the money wage level has been differentiated from analysis of the real wage level. The former has become absorbed to a considerable extent into monetary theory, and the latter usually proceeds in terms of average productivity and labor's distributive share of the national income. It is significant that in proposing renewed emphasis on the real wage level, Reynolds adverts to the mysterious constancy of labor's share rather than suggesting an attempt to apply the traditional marginal productivity doctrine.

In fact marginal productivity has been virtually banished from the theory of wage determination and relegated to the theory of wage consequences. Even there it has been challenged in a forthright manner by Mr. Lester; and indeed its helpfulness in elucidating particular problems, such as the economic effects of minimum wages, has not been too impressive. Defenders of the marginal productivity doctrine have tended to restate it in a somewhat tautological fashion which leaves it formally unassailable but mitigates its utility as a predictive instrument. Probably Paul Samuelson was justified in wondering why there has been so much controversy about a doctrine which is a kind of intellectual Mother Hubbard, which can be stretched to cover almost any position in a wage controversy and can be invoked by the Webbs or Hamilton and May, on the one hand, and J. D. Hicks on the other. And probably Lloyd Reynolds was justified in writing an entire textbook in Labor Economics, with no mention of marginal productivity except in the Preface, where he pointed out that it was not mentioned elsewhere. Marginal productivity was once fair game for the labor economists, and had there not been such a doctrine, perhaps they would have been forced to invent it. Maybe it's time to move on to other targets now.

Thus it cannot be denied that the marriage of theory and empiricism has produced a messy and disorderly situation. I would not wish to return to the illusory simplicity of a purely formal theory. But in view of the massive quantity of wage research which has been published in recent years, and the more adequate factual and statistical material which has been made available, there is much to be said for a new integration which will tie down and solidify the gains of the past decade or so. Several such endeavors are in progress, aside from the recent work by Woytinsky and his associates. Beyond this I

suspect that circumstances will dictate the particular issues to be stressed. Mr. Reynolds urges that attention be paid to the issue of wage-propelled inflation. Should there be further rapid advances in the price level, no doubt his advice will be taken. Should there be a decline in output and prices, however, the issues of wage rigidity, non-wage rate flexibility of labor cost, and so on, will deserve and receive greater emphasis. One of the prices which society exacts from the economist, in return for supporting him at a minimum health and decency standard, is to define his problems for him. And this, I feel, is as it should be.

RICHARD A. LESTER

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In my opinion, further progress in the development of wage theory rests largely on four factors. They are:

1. Recognition of the important role that a proper theory of the firm should play in wage theory, and the development of a much more adequate theory of management thinking, behavior, and adjustment to change.

2. The development of a more satisfactory body of theory of the behavior of unions, which can be brought into wage theory. This involves not only better understanding of the forces and restraints affecting union decisions but also recognition of the fact that, under collective bargaining, wages are only part of a bundle, with the possibility that a number of combinations may provide a solution, and that wages to a union are a multi-purpose tool, with emphasis on any particular purpose depending on current circumstances.

3. The development of practices, such as seniority, on-the-job training, promotion from within, and fringe benefits related to length of service with the firm, have affected worker attitudes and labor-supply concepts in ways that are significant for wage theory. Such practices influence the range of possible wage structures both within and between firms.

4. In wage theory an electric approach should replace the naive notion of demand and supply schedules for a firm or area meeting at a single, equilibrium point which "clears the market." This, I take it, is part of Professor Reynolds' contention for "a more realistic and useful" kind of theory, even though it may be "more complex and messy."

With these four views in mind, I turn to Professor Myers' paper. I agree with him on the need for more study of the impact of wage changes on the behavior of the firm. This is part of my first point.

However, Professor Myers does not seem in his paper to give sufficient emphasis to my second point, particularly that wages are only a part of an agreement bundle and are a multi-purpose tool. Choices with respect to wage structure, levels, and changes may affect the satisfaction of the union's membership over a time span, the reputation of the union's leaders, the size of its membership, the threat of rival unions, the character of its relationships with employers, and other matters.

When a union like the Amalgamated Clothing Workers foregoes a wage increase for three years (1947-1950) while most other unions are enjoying annual rounds, is it because the union leadership thinks in terms of the elasticity of demand for men's suits and has in mind some wage-employment function for its members that allows for non-union competition? Or is it because the leadership, following in the Hillman tradition, wishes to maintain a reputation for reasonableness and can afford to do so because of the absence of rival leadership in the union or any fear of loss of membership to rival unions? Or is it because the leadership does not wish to jeopardize its good relations with many marginal employers who might be forced completely out of business. Or is it because insistence on the wage rounds would probably have led to a nationwide strike and the union, for a variety of reasons, wishes to avoid such a strike?

The answer, obviously, is not simple, and one cannot help but question great emphasis on "the employment effect," particularly if it is couched in terms of demand elasticity or wage-employment functions. Clothing is a small-scale industry, with narrow margins, producing a finished consumer product. How much more tenuous would such reasoning be for an industry like steel, flat glass, or oil.

Reasoning on union wage policy in terms of demand elasticity raises the problem of the distribution of decision-making power between a national and its locals and also the need for drawing distinctions between reduced employment spread widely in an industry and concentrated reduction resulting in the closing of particular plants or mines. With seniority in lay-off, a large majority of the union's membership may not worry about reductions in employment of 20 or 30 per cent, but many with high seniority would have their job security completely destroyed by the closing down of a large plant or a branch of an industry.

Reflection on experience in particular industries causes me to have some doubts as to general significance and widespread validity of the two hypotheses that Professor Myers says grow out of recent empirical research. Other factors may so dominate the situation as to make it impossible to discover any such relationships as Professor Myers postulates or may even give results that superficially seem to controvert his hypotheses. For example, in industries like oil and chemicals, which are only partly organized and have small bargaining units, the political pressures on wage decisions may be stronger than the economic pressures. On the other hand, economic pressures and the economic plight of marginal firms may receive primary stress in highly organized industries with regional or national bargaining like flint glass, pottery, and West Coast pulp and paper. (Parenthetically, the terms "political" and "economic" need more clear-cut definition than they have so far had in the literature on this subject.)

The characteristics of the industry and of the union may often far outweigh the degree of union organization or bargaining patterns as factors in determining the relative role of economic and political pressures. Craft unions have been known to be so oblivious to the economic facts of life as to put themselves practically out of business. Moreover, statistical studies of the influence of unionism on wage change (see the article by Ross and Goldner to which Professor Myers refers near the end of his paper) appear to contradict Professor Myers' hypotheses. Apparently in the organizing stage, when the industry is only partly unionized and the balance of political power in the union is rather unstable, wage gains are relatively high, whereas after the industry has become well organized with broader bargaining units and the national's leadership has become well entrenched, wage gains tend to be relatively small. On the surface, such facts seem to indicate stress on political gains at the expense of any "employment effect" in the less developed stages of unionization and the reverse after organization has largely been completed and the union has "matured."

That more research and analysis are needed not only with respect to Professor Myers' hypotheses but also with regard to the effects of "maturity" on wage scales and levels, is quite evident.

Little time is left for comment on Professor Raimon's paper. It is primarily factual. He does, however, point out the need for statistics that lend themselves to analysis and interpretation along the lines of the four views with which I commenced my remarks. For example, fringe benefits need to be related to wages under the

"agreement bundle" concept. But Professor Raimon's conclusion that money wages tend to understate the relative attractiveness of conditions of employment would only be true if high-wage companies consistently were relatively more liberal in fringe benefits than in wages. Moreover, as he recognizes, the effectiveness of a company's fringe benefits generally increases with length of service; many managements report that new hires show little if any interest initially in the company's benefits or lack of them. Consequently, the relationships between fringes and wages are complex. Furthermore, consideration should be given to the relative drawing and holding power of two contrasting wage structures yielding the same average pay; one having a high starting rate with a narrow occupational span, the other with a low starting rate but a large spread between the bottom and top rates.

These are but additional examples of the complications that Professor Reynolds mentions as requiring attention in the development of a useful body of wage theory. With respect to wages, Olympian theory, although inspiring in its simplicity, is too ethereal for most practical purposes. Let's not be afraid to be a bit earthy, yes, even "messy."

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I should like to comment briefly on the papers presented by Professors Myers and Raimon. Both, in general, are excellent. Each paper probably would have been more pointed if there could have been a collaborative effort. As it is, Professor Myers has discussed empirical research without reference to the wage and related data needed for that research, while Professor Raimon, in describing sources of wage information, could do little more than list some of the research areas for which data are required.

As one who makes his living in the wage survey business, I can agree completely with Professor Raimon's observation that "there is no such thing as an all-purpose wage survey." In the Bureau of Labor Statistics, we try to meet as many of the public needs for wage data as possible. Our first responsibility is to develop information that is required for policy or administrative purposes within the Federal government, and, more generally, that provides insight into the wage position of broad groups of workers in the economy. Most of our studies are so designed as to have a variety of uses. Our resources for survey work, of course, are severely limited. Since we

adhere rigidly to our confidentiality policy with respect to individual firm data, Bureau surveys cannot be used by private researchers for some types of wage investigations.

It seems to me that Professor Raimon, in centering attention on occupational wage data, failed to emphasize sufficiently certain categories of wage information that are basic for some research projects. I have in mind principally the monthly series on average earnings by industry, issued by the Bureau of Labor Statistics; the wage data compiled annually by the Bureau of Old-Age and Survivors Insurance; and the estimates of the wage and salary component of national income made by the Department of Commerce.

As Professor Raimon points out, private wage surveys have increased greatly in number since the war. The summary and analysis of employer association studies published recently by Tolles and Raimon¹ adds substantially to our knowledge of such survey activity. I am inclined to think that association survey work will continue to be relatively extensive and that its general level of technical adequacy will improve. Association surveys will continue to be oriented toward the wage comparisons for administrative purposes considered relevant by each particular survey group.²

Union effort in the wage survey field is necessarily confined largely to the compilation of negotiated wage scales. A number of unions are doing a first-rate job in this direction. However, as things now stand, a surprising number of national and international unions

¹ N. Arnold Tolles and Robert L. Raimon, *Sources of Wage Information: Employer Associations* (Ithaca, New York: Cornell University, 1952).

² For years I have wanted an opportunity to comment on the statement that Professor Raimon now obligingly cites from Richard A. Lester's *Company Wage Policies* (1948). This statement is to the effect that only two of 95 companies included in Professor Lester's study mentioned (in response to a questionnaire) any use of government wage surveys. I have no doubt of the accuracy of the statement, but its implications, standing alone, are something else again. The principal implication, which I do not think Professor Lester intended, is that private firms do not use government wage surveys. In the first place, no conclusions on this point can be drawn from 95 companies. In the second place, we do not know where these firms are located and whether government wage survey data were, in fact, available. The availability of survey data is, of course, of key importance, as well as its relevancy for particular problems.

We do have a great deal of information in the Bureau of Labor Statistics, some of which Professor Raimon cites, of the use of government wage surveys by private firms and by unions. Very recently, in connection with community wage surveys in Detroit and Minneapolis-St. Paul, we asked the firms in the samples if they used BLS wage survey data. In Detroit, 187 out of 244 firms replied affirmatively; in Minneapolis-St. Paul, 174 out of 239. The percentages were 77 and 73, respectively. We know that many of our industry surveys are extensively used by the industries to which they relate.

Although there is clearly very considerable scope for private enterprise in the field of wage surveys, government survey materials, where available and relevant, have wide private use.

appear to undertake no systematic work in the field of agreement analysis. One of our largest unions is just now setting up a comprehensive agreement file at the national level. With the rise in union research activity, a greater volume of union scale and related data should become available for research purposes.

The researcher who is looking for completely "ideal" wage data for a particular project will rarely find it. There is, however, a very substantial body of wage information in existence, and always coming into being, from government, employer, and union sources. These data frequently can be used to test and illuminate research hypotheses. It is a responsibility of the research worker to exercise skill and imagination in the use of available data, and, at the same time, to make certain that the data he uses are appropriate for his purposes.

Some forms of wage research can make only indirect use of statistics. The bulk of Professor Myers' paper is taken up with research bearing on the factors that influence union and employer wage decisions. Here we are dealing with the problem of motives. Wage and related statistics can throw light on the consequences of particular decisions; such data may well have been a factor in the decisions themselves. But the point of the prolonged debate that Professor Myers describes revolves about the relative importance of economic and noneconomic factors in wage decisions. I suspect that this debate could have attained its present dimensions only in an inflationary period that lasted for more than a decade.

As Professor Myers points out, a neglected area of research is the economic adaptation of firms to changes in money wage rates. In this type of research, of course, the relevant wage data relate to the individual firm.

My only quarrel with Professor Myers' paper is that his description of recent empirical research seemed unnecessarily restrictive. A great deal of quite interesting work has been done outside of the orbit with which he deals. I am thinking of work in the field of regional and, more generally, inter-area differentials, wage dispersion within occupations and labor markets, occupational wage differentials, wages in relation to productivity, age, and sex, the cyclical behavior of wage rates, and the question of labor's share in national income.

Despite the genuinely large amount of work that has been done in recent years in the field of wages, a great deal remains to be accomplished. And at some point, probably still rather distant, there will be the job, as Professor Reynolds suggests, of integrating all of the new insights into wage determination into the framework of more general economic theory.

Part IX

THE PLACE OF MEDIATION IN INDUSTRIAL RELATIONS

SOME THOUGHTS ON LABOR MEDIATION

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New Jersey State Board of Mediation

THE PROCESS OF LABOR MEDIATION is as old as the history of man. The only new aspect is our constant effort to improve techniques to achieve a continuing greater excess of peace over war on the industrial front.

Basically, labor mediation is a governmental function, although that need not necessarily be so. Specifically, labor mediation has become the duty of the federal government and of some of our more highly industrialized states.

The prescription for effective mediation seems to be a fairly simple one, to wit:

1. Proper selection and training of personnel
2. Adequate funds
3. Education of labor, management and general public on the availability of mediation service and how it can be effectively used.
4. A sound philosophy and legal basis for labor mediation

Points one to three are the exclusive problems of the agencies charged with the mediation of labor disputes and can be properly left to those agencies. Point four concerns all who are interested in improving the atmosphere of industrial relations through the utilization of mediation techniques.

The concept that decision making on the industrial relations front is the function of management and labor, respectively, is fundamental to notions of enterprise and hardly bears repeating. Attention is called to the obvious merely to get a picture on the canvas. The role of government has been and is, that of umpire. Its function is to protect, not only the rights of the disputants, but also of others who might be inadvertently injured over and beyond mere inconvenience, as a by-product of a given industrial dispute. Government mediators seek to resolve differences, which if permitted to perpetuate themselves, typically evolve into economic warfare. The labor mediator is our major instrument for blunting the edges of the weapons of industrial conflict—the strike and the lockout.

It is almost axiomatic that a mediator functions in the atmosphere of crisis, when the issues have been reduced to a seemingly irreducible minimum and a deadline looms. At this stage of the negotiations, a mediator can be most effective. He plays a major role in setting the scene for the ultimate settlement, if there is a will to settle. At the same time, he sublimates the part he plays so that the disputants emerge as the heroes of the drama of negotiation. The resulting agreement is their agreement, not the mediator's. The mediator may pave the road leading to agreement, but he cannot compel the parties to make the journey. He may make suggestions—"announcing a government formula for settlement" is the current vogue in major disputes—but he cannot compel acceptance of his suggestions or his formula. His proposals are only as effective as the parties wish them to be.

In general, this approach to the maintenance of industrial peace has been the accepted one. More recently, through the medium of the United Nations, the services of a mediator have been made available to nations which find themselves deadlocked on major issues and are verging on the catastrophe of war.

1946 was an exciting year on the industrial front. The number of strikes, workers involved in strikes and man-days lost because of strikes reached new high levels. It was reasoned by the Congress, impressed as it was by this extraordinary strike activity, that if the mediation services were apprised of the "existence" of a dispute before the expiration of a contract, then the chances of averting a strike were enhanced. This concept was enacted into Section 8 (d) 3 of the National Labor Relations Act as amended.

Something new was added to the basic prescription that mediation should be at the behest of one or the other, or both, of the parties to an incipient labor-management bargain.

Labor mediators are no longer exclusively "doctors of disputes." They have almost become procurers of disputes in the name of preventing them.

As a matter of procedure, federal mediators, and some of their counterparts at state levels emulating or competing in self-defense, not only acknowledge receipt of these notices but follow them up with telephone calls designed to check the progress of negotiations. It has been my experience that this "follow up" process has degenerated to a simple hustling for business. As a result of this practice, the mediation process and the role of the mediator has

suffered. The prestige and status which the mediator must bring to the bargaining table to be successful is tarnished.

Not only is a mediator's effectiveness diminished because of too frequent contact with the parties prior to the development of a real dispute, but in addition, his reiterated proffers of aid are too frequently accepted. This enables one or another of the parties to the bargain to pass the buck of decision-making from themselves, where it belongs, to the mediator. The management or labor negotiator whose program is not progressing as desired, finds it easy to avail himself of the governmental mediation crutch to bolster his weakness at the bargaining table. It is no longer necessary for one or the other of the parties to do the difficult thing and call the mediator—admitting that, to this point at least, agreement is elusive. The mediator is panting at the door—and has been for 30 days—anxious to promote the cause of industrial peace by his presence.

All of this has enhanced the occupation of the mediator—witness the growth in the employment of mediators from the pre-war level to the post-Korean war level. It is doubtful that we have more effective mediation as a result—merely more of it.

At the risk of being called old-fashioned, even reactionary, I make a motion that we get back to the "good old days" and offer mediation services when they are requested and can be used. We must stop promoting the misuse of mediation in the current casual manner. This motion will not be well-received in all quarters. It will require the retirement of some mediators and the return to work of others.

William H. Davis, the dean of American mediators said, in a speech at the 2nd annual convention of the Association of State Mediation Agencies last summer, that the "best place for mediators is out." Let us give the negotiations back to the negotiators and save the mediator for the occasion when he is needed—when there is really a pending breakdown in negotiations.

In the past several years, the Federal Mediation and Conciliation Service has devoted space in its annual reports to the presentation of "preventive mediation" activities. It describes these activities in the annual report covering the fiscal year 1949, as follows:

"As distinguished from the mediation of labor disputes in active progress, the preventive activities program is directed toward the improvement of management-labor relations when tempers are cool and the parties are susceptible to recognition of their mutual problems."

The FMCS is consistent in its view. In the most recent report covering the fiscal year 1952, it states that "the Service continues its traditional role as a 'strike doctor,' but is equally interested in establishing firm and stable relations between labor and management on a continuing basis." Its formula for accomplishing the latter is, of course, "preventive mediation."

Lest there be a misunderstanding, I am compelled to state that I am in complete accord with the highly laudable objective of promoting "better day-to-day relations between management and labor." The quarrel is not with the end, it is with the means. It has never been conceded that desirable ends can be achieved by the use of questionable means. The FMCS describes its concept of preventive mediation in the following detailed manner.

"There exists in some plants or industries or under particular collective bargaining agreements relationships between the parties or conditions which interfere with effective and harmonious operations. These relationships or conditions may involve such problems as inadequate, indefinite or complete absence of grievance procedures; unsound attitudes and policies of the parties; heavy turn-over of workers; low man-hour output or high production costs; lack of confidence, personal frictions, animosities, and prejudices between labor and management representatives; union refusal to recognize and understand management problems; management refusal actually and in good faith to recognize the union as bargaining agent for its employees; internal frictions within management or labor groups; repeated strife during contract negotiations; or too frequent occurrence of differences or conditions that develop into formal grievances."¹

The alert mediator will give such advice and counsel as he deems will be acceptable to the parties beyond matters relating immediately to issues in dispute. This advice is of an extra-curricular character in that it does not specifically relate, for example, to a contract dispute over seniority but to a "union refusal to recognize and understand management problems" which makes the seniority issue a difficult one. The rendering of service such as this is not new; it is an adjunct of alert and effective mediation. Only the appellation "preventive mediation" is new. It is noteworthy that this fact is recognized by the FMCS when, relative to its preventive mediation activities, it reports that "commissioners of the service have always

¹ Second Annual Report, Federal Mediation & Conciliation Service, 1949, p. 33

utilized their knowledge of sound industrial relations, experience, and ability in working with the parties toward a goal of cooperation and better understanding in employer-employee relationships.”²

The report continues, “existing law . . . establishes this activity (preventive mediation) as an important phase of the work of the Service in promoting industrial peace.” A careful scrutiny of the law can find no specific direction that the Service engage in so-called preventive mediation. Presumably, the law referred to is Section 8(d) 3, the questionable value of which has already been discussed.

Within the past 18 months, still another version of “preventive mediation” has crept into the literature. This new version deals with the negotiation of labor contracts as distinct from their administration. The analogy is made between preventive medicine and preventive mediation. It is alleged that since preventive medicine has been effective in protecting public health then, similarly, preventive mediation can detect the fever spots of potential strikes. The presumption is that the potential fever of the strike can be averted by the early inoculation of mediation.

The validity of this comparison is open to question. Preventive medicine is the application of known treatment for a known cause. The smallpox germ will behave in a manner entirely predictable to medical science. Can the same degree of predictability be applied to any given industrial relations situation? Have we been as successful as medical science in the isolation of the causes of trouble? An apparent wage dispute may have an underlying cause quite apart from wages. Granting that issues are always what they seem to be, does it follow that the application of mediation technique A, successful in case X with the same issues, will be equally successful in case Y? Practicing mediators will answer with a resounding “No!” Were the answer yes, it would be possible to reduce the mediation technique to a phonograph record and rent it out to disputants.

Let us take a closer look at this business of anticipating “fever spots” in our economy. It seems to me that we have the cart before the horse. “Fever spots” are the product of bargaining and can hardly be anticipated unless one has a crystal ball in good working order. Fever spots develop after the parties have met in good faith and exhaustively exchanged views with the intention of reaching agreement. Mere difference of opinion does not constitute a dispute. The latter term is a much more active concept and is the end result

² Ibid, p. 34

of differences which remain unresolved at the expiration date. The U.A.W. and the Steelworkers have given notice to their contractors that when their contracts permit bargaining, they propose asking for some form of a guaranteed annual wage. The Chamber of Commerce recently reported, as a spokesman for business, that the guaranteed annual wage, as a general proposition, is impractical. Seemingly, here is established difference of opinion. This difference may well become a fever spot. Shall we rush in mediators before the parties have had ample opportunity to attempt to educate each other?

The filing of union demands represents little more than differences of opinion; gaps which will have to be closed if there is to be agreement. These gaps may represent a "headache" to management. As yet, the medical profession has not advised that a person suffering from a headache should be immediately administered antibiotics.

Another problem area in the mediation of labor disputes is the application by the FMCS of Section 203 B of the existing law. This section directs that the Director of the Service devote his attention to major disputes affecting commerce and avoid attempting to mediate minor disputes if state or other mediation services are available. Since all governmental levels of mediation services receive "notices of dispute" under Section 8 (d) 3, and since the determination of what constitutes "major" or "minor" disputes represents subjective evaluations, it is not surprising to find state and federal mediators competing for "business." It is also common in many areas for state and federal mediators to "work" a dispute jointly. It is doubtful if two heads are better than one. This kind of mediation represents an element of cost which might be looked at askance by a citizenry concerned with economy.

For many years, it has been generally conceded that labor mediation is most effective when performed at the local level. Local people, understanding local problems and accepted by the disputants, are more likely to be effective mediators. This is the basic reason for the trend toward the creation of permanent state and municipal mediation boards. This same reason, no doubt, played a prominent role in the decentralization of the FMCS early in the last decade.

The competition between these agencies instead of being healthy, is, in fact, detrimental to the kind of mediation service which will be respected and effective. So long as the opportunity exists for disputants to shop around for a governmental mediation agency, prestige is difficult to sustain. The situation, in my opinion, should

be remedied promptly. As a substitute for the present language of Section 203 (b), I propose the following:

The Service may proffer its services in any labor dispute affecting commerce either upon its own motion or upon the request of one or more of the parties to the dispute, if said dispute is of such a character as to threaten the national welfare or is industry-wide, or involves a multi-plant bargaining unit. The Director and the Service are directed to refrain from and to avoid attempting to mediate any dispute other than the types enumerated above if State or other conciliation services are available to the parties. This prohibition shall not apply where State or other conciliation services are not available to the parties, where the State or other conciliation services waive jurisdiction, or where they request the assistance of the Service.

SUMMARY

1. Collective bargaining is the institutional device created by a democratic society as a means of affording management and organized labor a technique for resolving differences. Mediation is basically a governmental function, but not necessarily so. Mediation is an extension of collective bargaining, not a substitute for it. Mediation is a most effective tool when it is utilized under conditions of maximum pressure, with a deadline pending.

2. The legal requirement of Section 8 (d) 3 of the Labor-Management Relations Act, 1947, contributed little and more likely, caused harm. The notice brings the mediator into negotiations prematurely. The ultimate effectiveness of the mediator is diminished rather than enhanced.

3. Preventive mediation is a contradiction in terms. As practiced by the FMCS it represents the intervention by government into the administration of labor contracts, a questionable development. When parties are in need of expert advice during contract terms and preceding contract negotiations, they should seek out private sources. Government assistance in the administration of a contract should be made available only at the explicit request of one or both of the parties to the bargain.

4. The application of so-called "preventive mediation" to contract negotiations is even more pernicious in its effect on full and free collective bargaining than is the practice applied to contract administration. In most instances, it would bring the mediator into a situation long before he can serve a useful purpose. His presence

will add nothing when, weeks later, the final decisions have to be made and an active dispute exists. Here too, disputants may avail themselves of private expert sources should they jointly decide that they need guidance toward the consumation of an agreement. The terminology and philosophy inherent in the concept of "preventive mediation" has no proper place in a society which has dedicated itself to a minimum of government activity in private affairs. The literature of industrial relations should expunge the phrase "preventive mediation."

5. Competition is not the spice of life when it deals with labor mediation services. When federal, state and municipal mediation services "compete" for the privilege of mediating a dispute, it tends to degrade the prestige of the particular service and of the process as well. The burden of seeking mediation should rest with the parties to the dispute. Those sections of the law which make this sort of competition possible should be amended.

VOLUNTARY MEDIATION

SAUL WALLEN

Arbitrator

TRADITIONALLY MEDIATION has been an act of intervention by an outside agency, typically the government, undertaken to protect the community from the effects of a strike, actual or threatened. Thus the proffer of intervention by the Federal or State conciliation agencies is based on their responsibility and the responsibility of the parties toward the public.

But more and more both unions and management have come to utilize this interest of the community for self-preservation in the pursuit of their respective aims. Thus, unions have for a long time invoked the aid of a mediation agency as a feature of their own strategy in their campaigns for a new contract. That campaign may have been built around the inevitability of a strike. But at the proper time the union, as part of its technique to mobilize the spirit and interest of its members, or to secure or retain community support, will ask for intervention by a mediation agency. Sometimes the motivation is to maneuver the other party into an apparent opposition to the will or interests of the community. Sometimes it is the hope that the third party will succeed in divining the true position of the other side and thus aid in the development of the union's bargaining strategy. Sometimes it is the hope that the mediator will by his eloquence or prestige pressure or persuade the other side into concessions. Sometimes the motivation is all of these.

Likewise, managements have invoked mediation as a conscious instrument for effectuating their own strategy. The union bent on a strike has sometimes been held off by employer-requested intervention of mediators. Management, too, has used mediators in attempts to establish the true positions of union negotiators or to beat union demands down to more realistic levels, these to be used as the basis for further bargaining. Mediators are not unfamiliar with expressions of union sentiment such as the following: "After we get a mediator in, he gets no break from us at all. We use him to convey to management an impression of our intransigence and determination not to retreat." And I've heard managements say "A mediator gets little from us. He is only probing for our weak spots."

The foregoing are not necessarily improper uses of mediation. But they are not the most efficient uses. Ideally the mediator should be used by the parties to help them develop workable areas of com-

promise, to bring them closer to their true positions without exposing these to the other party prematurely, and to suggest workable alternatives when deadlocks develop on specific issues. Mediation in its most constructive sense is not a weapon with which to belabor the opposition but a means of developing the joint interests of the parties that underly their surface conflict.

It is against this background that the subject which I have been assigned may be of some significance.

My topic is voluntary mediation. This is a term somewhat loosely applied by the framers of this program to an activity which by conscious design employs mediation as an avenue to achieving workable areas of compromise, rather than as a bludgeon to be used on an intractable opponent. It involves advance planning and agreement that a mediator, whether government or private, will be called in by both parties to help them accomplish what they may not be able to accomplish without him.

Until the Taft-Hartley Act gave the Federal Mediation Service the power to intervene and placed on the parties the duty of attendance at mediation sessions, mediatory efforts by Federal mediators could be rejected by the parties. Although a few states, like Massachusetts, always had compulsory powers, they were rarely used. Even today, mediation is essentially a voluntary process, despite the hint in the Taft-Hartley Act of compulsion.

But I distinguish this type of voluntarism, based as it is either on the initiative of government, or on the use of mediation as an offensive weapon by the parties, from an agreement by the parties well in advance of a dispute that a mediator would be jointly requested to aid them both in the event direct negotiations do not produce an agreement. That kind of advance planning implies an attitude toward the mediation process calculated to stress its more constructive features.

How this approach to mediation works is perhaps best shown by a case history. For some years I have served as permanent arbitrator for an association of employers and a union of fairly good size. When engaged, I was encouraged by both not only to try to mediate grievances where the circumstances seemed appropriate, but also to stay close to the problems of the parties with a view toward assisting them in negotiations for the new agreement. The industry is competitive and technical and over a period of several years of handling grievances in arbitration I became friendly with the parties and familiar with their problems. Two contracts were written with little difficulty. The first sharp clash over a new agreement was in 1949. Negotiations

opened well in advance of a strike deadline and proceeded with little progress. The Mediation Service intervened with no results.

During negotiations, I was in frequent touch with the parties in my capacity as their arbitrator and was informally posted by each side on the progress of their talks. There was frank talk from each though no revelation of their true positions. About two weeks before the strike deadline, each side separately confided their concern about strike possibilities. At the suggestion of one side, concurred in by the other, I was asked to assist in the negotiations.

The chief issue was wages. Long conferences followed with each party separately, at which comparative wage data in the industry, cost of living figures, problems of low productivity in certain departments, and the companies' profits and prospects were closely examined. Because of a considerable knowledge of the parties' background and problems, numerous arguments they advanced as rhetorical assaults on the opposition were deflated or scaled down to size in their separate discussions with me.

These discussions produced a narrowing of the difference. The Union scaled its demand down drastically from 20¢ to 9¢ an hour during the course of these talks. The Companies heretofore wholly adamant gave indications that they would consent only to a token increase of 2¢ an hour. The strike deadline brought considerations which were always lurking in the background prominently into the judgment-forming processes of the parties. The cost of a strike, now at hand, had to be weighed against the cost of a compromise. This worked as an effective modifier of the adamancy of both parties.

On the last day I discussed the problem in just those terms with each party. Neither side wanted a strike but neither wanted to give up very much to avoid it. Shrewd negotiators on both sides feared at this stage that any move would be interpreted as a sign of weakness and would be seized by the other as a jumping off place for a new demand. Hence both refused to budge from last stated positions. There was a settlement there but neither would state the price.

With the deadline only a few hours off, the only way to break the Gordian knot was to tell each party what I thought would bring them a contract. I told each party separately that I had no assurance or commitment — and I truly didn't — but that it was my judgment that a settlement of between 4½¢ and 5½¢ per hour would produce an agreement. It was the right figure — they settled after many more hours of discussion — for 4½¢ and one more paid holiday.

How was that judgment as to the likely area of settlement arrived at? In the weeks of prior discussions in which the problems of both

sides and the condition of the industry was canvassed thoroughly, sufficient indications, none tangible enough to be called an offer, were given by both sides to form the basis for an intuitive judgment. Had not the confidence of the negotiators, fearful of confiding in each other, been developed by association over a protracted period, the likelihood of a strike would have been much greater.

How does this situation differ from mediation of the more conventional type? Usually in such cases mediators are called in at a non-strategic phase of the negotiations to aid in the softening up process or so late in the dispute as to find it hard to gain the full confidence of the parties. Here by contrast, mediation was employed by neither as a weapon of offense against the other. By virtue of his long association with the parties the mediator knew their language and problems and got and kept their confidence.

Whereas mediation is often used as a strategic maneuver in a battle to be won by other means, here it was consciously planned for as a reserve measure should direct negotiations fail. Whereas too frequently the mediator is regarded as the uninformed outsider to be quickly, albeit incompletely educated, in this situation he had the advantage of being able at once to talk to the parties on their own terms, to analyze and handle critically their arguments, and form a realistic estimate of their true positions.

What lessons can be drawn from this kind of experience? The parties, whether they invoke government mediation or the aid of some one closer to their problem, can be encouraged to utilize mediation as a constructive rather than exploitative device for settling disputes. The parties can be encouraged to give mediation a major spot in their calculations of how a dispute is to be handled. The parties can be educated to foster and encourage the development of specialists among mediators, whether government or private, who will be intimately acquainted with their industry or company and its economics and the unions and their personalities and problems. The mediation agencies can, to the extent administratively feasible, work toward specialization of mediators in particular industries or plants.

Mediators should be more than message-carriers. While industrial peace is primarily the responsibility of labor and management, the techniques of inducing agreement have hardly begun to be exploited. An important one is the use of that feeling of respect which is engendered by one who is knowledgeable in the field involved and whose good will is established.

Mediation, of the type herein discussed, may be a helpful step in the direction of an improved mediation technique.

DISCUSSION

EDGAR L. WARREN

University of California at Los Angeles

Our chairman has suggested that little research, and perhaps little thought, has been given to mediation as compared to some other and newer techniques for resolving labor-management disputes. I agree, and I think it is significant that the Industrial Relations Research Association should devote such an important part of its program to this subject. There has been some discussion in recent years about the mediation process and several Universities, including M.I.T., Cornell, and U.C.L.A., have conducted research on some aspects of the subject, but there is much work still to be done in improving our understanding and use of the process.

Mr. Weisenfeld has urged that we should revert to an older attitude about labor disputes — that the parties should be left alone to work out their own problems. He cites, with approval, William H. Davis' comment: "the best place for the mediator is out." Mr. McCoy has expressed a somewhat similar point of view. He feels that labor disputes, where possible, should be handled at the local level without the assistance of representatives of the Federal Mediation and Conciliation Service and intimates that it would be a fine thing if all his Commissioners could work themselves out of jobs.

These are laudable attitudes and views which all of us must applaud. No one can disagree that it would be desirable if all labor-management disputes were settled peacefully; if social and economic pressures, including threats of strike, in themselves resulted in agreements; and if the outside intervention of third parties should become unnecessary. But this point of view disregards "the facts of life." We do have serious strikes and the use of economic force does, on occasion, threaten the public welfare. It is necessary, therefore, for some agency of government to intervene, to attempt to avert such strikes and to shorten their duration where they do occur. What we need to consider, in my opinion, is how this process can be made more effective when it does have to be used and how the elements of compulsion in the procedure may be kept at a minimum.

One of the most noticeable phenomena of post-war labor disputes is that the technique of mediation has not been successfully used in the so called "big cases." With few exceptions, strikes in the automobile manufacturing, basic steel and coal mining industries since 1945 have not been settled by mediation. Where such strikes have occurred they have tended to run their course either without media-

tion or with the use of a stronger form of governmental coercion to bring about a settlement.

Our distinguished chairman, Dr. Leiserson, has said on earlier occasions that we need a more definite set of mediation procedures for the peaceful settlement of labor disputes — a series of specific steps which might be utilized by the government to avert or postpone strike action. This is a proposal which I believe deserves discussion.

In my own opinion we have not explored sufficiently the implications of the idea that “conciliation” and “mediation” are two different kinds of processes. Most students and practitioners in the industrial relations field say that the terms may be used synonymously and this causes us to overlook one of the valuable assets of mediation. We can agree that the line between conciliation and mediation is not a sharp or clearly defined one. At some stage in the settlement of a dispute the intervenor, no matter what he is called, may have to stop being just a “good friend of both parties,” a person who keeps the negotiations going and the representatives of both sides in a relatively good humor. The role of the conciliator is a passive one while the mediator actively intervenes in the dispute and, when appropriate, makes positive suggestions for a reasonable settlement. Where the conciliator who was originally assigned to the case can carry out this function effectively, fine. But in some instances, under some circumstances, it may become necessary to assign a different individual to the dispute. This may be another representative of the same Service, who happens to have either greater prestige with the parties or a greater familiarity with their problems and their personalities, or it may be an outsider, an *ad hoc* mediator.

This brings me to Mr. Wallen’s suggestion for “private” mediation machinery. I think his experience bears out the idea that very often persons who have special knowledge of the particular problems involved in the negotiations, or an unusual degree of acceptability to both company and union representatives, may act more effectively as mediators than the regular members of the staff of either the Federal or a State agency. To accept this point of view is not to discredit the effectiveness or the value of the work of the regular staff mediators. They serve an important function and in the case of most disputes they are able to do everything desirable or necessary in assisting the parties to reach agreement. In some instances, and probably most frequently in those cases where the outbreak of a strike or a continuation of an existing strike might create the greatest damage, other individuals, not on the regular payroll, should be used as mediators.

A highly selected group of *ad hoc* mediators, who because of their particular training, experience or prestige may effectively offer positive proposals for the settlement of particular disputes, should be available for assignment to important cases.

JULIUS J. MANSON

New York State Board of Mediation

Proposals to improve mediation must have some direction. They are like shafts shot towards targets called "ideal mediation". Each bowman has a mental image of his target, shaped by his assumptions about the nature and function of mediation: and each panelist has drawn from his quiver of assumptions, the favored arrows to attack the question under discussion.

Mr. Warren believes that mediation has failed in the big cases which Dr. Leiserson explains by noting that mediation is too weak for the heavy-weights in these high powered contests. Mr. Wallen believes that mediators are often abused for axe-honing ends. Mr. Weisenfeld believes that mediators should not mind being used because mediation belongs to the parties and that mediators should not scramble to get the case. Mr. McCoy believes that education of the parties will ultimately make mediation unnecessary.

The panel papers reveal several underlying assumptions: first, that the function of mediation is to serve the parties; second, that the function of mediation is to serve the public; third, that the function of mediation is to serve both. Perhaps a fourth assumption is that the function of mediation is to serve the agency, an idea which requires no extended treatment.

There are realistic elements in each of the positions, which, taken together, make up a chart of primary symptoms. The diagnosis seems to describe five areas of focal infection: the mediator, the process, the parties, the agencies and the government.

The Role of the Mediator. The mediator should be in charge of the proceedings. It is demeaning and undignified for a mediator to be kept in a corner or in an ante-room only to be pulled in for a newspaper picture at the end of the negotiations. This is a cynical attitude on the part of veteran disputants toward the function of a mediator. Moreover, to give the impression that an agency is mediating a dispute or actually seeking a settlement of a strike when in fact the mediator is "on ice", is no more nor less than perpetrating a hoax on the public, as Mr. Wallen implies.

Such a spectacle occurred in an eastern metropolis early in 1953, when mediators from five agencies converged on negotiations at the invitation of the principals and spent their time not in a conference room mediating, but in a corridor "quiz contest" guessing with reporters as to what was happening. It would be far more professional, where the canny disputants invite their favorite primadonnas from a bevy of mediation agencies to make an appearance, for one of their number (selected by the mediators) to control, while the others gracefully serve as duennas to the chairman, only offering admonitions and sage advice, away from the public eye. Mediation is not successfully pursued by a Greek chorus. It is in essence a solo performance.

The Selection and Training of Mediators. The mediator's reliance on his personal talents requires high qualifications in new recruits. The appointment of a political stumble-bum in defiance of merit, hardly adds to the lustre, dignity or integrity of an agency and easily induces in the public mind the notion that the staff could be "pressured" or that cases could be "fixed". The function of the mediator, indeed, may embrace on occasion an ethical judgment which should at least approach, if not match, the highest standards of public policy.

Because of the obligations imposed on the mediator, his qualifications must be real and exceptional. To diminish, if not entirely escape, political pressures, the safest technique for adequate selection would be through a fair civil service which, notwithstanding present limitations, could provide a reserve of competent personnel.

Training, and retraining programs, thereafter, would be indispensable. The constant training that an active and intelligent mediator gets from his daily experience obviates the need for deliberate specialization. He becomes sufficiently well-versed in industrial practices to grasp quickly the peculiar differentiations in a given case. Parties may be impatient where they fret over expending several more minutes to explain the nub of the dispute for a mediator's benefit. Yet Dr. Leiser-son, an expert, advises the mediator to act as if he were uninformed, when in fact he is not, a method which has value under limited conditions. This suggestion to act the juror, who seemingly knows nothing, should not be mistaken for another policy where the mediator does nothing, once the adversaries confront each other.

The Function of the Mediator. While there are various degrees to the function of the mediator, whether called mediation or conciliation, ranging from serving as an unhappy messenger boy to making positive constructive, perhaps even brilliant, proposals for a settlement, no agency should foster a deliberate attitude of "know-nothing-

ness". It is an act of futility to limit the function of the mediator merely to keeping the adversaries together.

At times, of course, the mediator uses the gift of "sitz-fleisch", a capacity simply to sit and listen for as long as is necessary. In this respect mediation serves a therapeutic purpose in allowing the parties to talk their tensions away. Sometimes he must intervene and steer the discussion. Where the parties have been meeting fruitlessly, we have the classic situation for the entrance of a mediator. At this point he harnesses his entire experience, skill and judgment, either to produce a proposal or uncover one, by phrasing the emerging settlement sooner than the parties themselves have realized that they had reached their destination. Mediation of this calibre serves neither as a carpet nor as a club. It becomes a creative instrument for the solution of controversy, and therein lies its major contribution.

The Mediation Process. Mr. Warren's interest in research might productively range over the perplexing question of when to intervene to settle a dispute. The area to be explored extends from complete acceptance to total rejection of mediation, with sectors shaded by one side saying "No!" when that might mean "Yes!"

One of the risks of the proposal of searching for "fever spots" to anticipate the need for mediation, is the impression implanted in the parties that the mediator is a mendicant. The mediation agency seemingly is looking for clients, and appears to place the mediators under obligation to the parties giving them business. In the average case when both sides are bargaining, it is enough to notify the parties of the availability of the mediation agency, and to let them request aid. This policy is consistent with the mediator's maxim not to interrupt active negotiations. Where the negotiators deliberately delay to have the hot breath of a deadline upon them, they are following a traditional technique to make ready for a settlement. It is no easy matter for the mediator to know whether he is gliding in too soon or too late on the shifting sands of the negotiations. He has no chronometer which tells him which day on the calendar mediation begins. The fact that even the parties do not have an exact sense of timing is not limited to New Jersey alone. It is a common characteristic of the species and points up the uselessness of slide-rule mediation.

Attempts to define this point of intervention have been made by some hardened combatants in two ways. Several contracts explicitly invite a named mediation agency at a given time. Strikes, in some instances, followed mediation. In Mr. Wallen's case study, the principals invite their impartial chairman to mediate. This method, tried

in pre-World War I days in the garment industry, and in transit and elsewhere since then, has had varying success because of the industry arbitrator's preference to remain not only above the battle, but in his seat.

Education of the Parties. Much of the foregoing is hollow nonsense whispered in a vacuum in those ordeals where the parties reject mediation, or sham through it. We have two brands of disputants, those who have tasted mediation and those who have not. Educational programs are necessary for both. The recalcitrant employers and unions who are graduates of mediation and yet have remained callous to the public to pursue their own ends, need a specially tailored educational program. One element in that program should be to inspire the conviction that no mediation agency will lend its prestige to spurious deeds. Mediation is not the property of the parties for their exclusive welfare. The public has an interest which should not be bilked.

Obviously, however, where the parties call upon an agency to intervene in a dispute, that case should then remain the responsibility of the agency. The will of the parties in choosing their forum should prevail. This does not mean, to be sure, that they may play one agency against the other, utilizing one for mediation and the other for pressure.

There are, of course, several methods available in theory to a mediator for the purpose of educating the parties as well as gaining their confidence. A mediator blessed with a generous expense account could feed the recalcitrant disputants a sumptuous and fluid lunch and thereby launch a successful settlement. The state of the exchequer makes this an uncommon practice. Less fancifully, long range planning would embrace a basic program to encourage wide use of competent mediators irrespective of title, to address management or union conventions, civic groups, university classes, professional meetings, and generally make known the nature and potential of mediation.

The Agencies. A suitable educational program would also benefit the mediation agencies. Mr. McCoy's professed aim for the FMCS is to put itself out of business. That is far too pessimistic a purpose. A more likely possibility, in the light of Mr. Weisenfeld's comments, is that FMCS may unintentionally put some of the state agencies out of business. A strike against a public utility like a large water supply company or a bus system functioning completely within one state, would have a slight impact on interstate commerce, but a shattering effect on local communities. When a strong state agency requires no

aid to handle such disputes, it becomes superfluous to introduce a parallel service.

Much of the unnecessary fog which blankets the jurisdictional bounds of the federal and state agencies could so easily be dispelled by a plain and precise definition of interstate commerce for the purposes of mediation. FMCS could use an unemotional yard-stick in selecting cases. For example, a dispute, where the company is a multi-state establishment and the bargain cannot be made in one state, unquestionably falls under federal responsibility. A standard as clear as this eliminates subjective decisions and there would be no need to depend spasmodically on how a changing administration defines "interstate commerce". In areas where state agencies operate, the FMCS could then more readily screen out many more cases which have approximately the same effect on interstate commerce as a snack-bar or a "hot-dog" stand.

One device to improve mediation techniques which has been tried only too rarely, is to have joint staff conferences between federal and state agencies, for candid discussion of common problems. Firm understanding and genuine friendships flowing from such conferences cutting across agency lines could foster a powerful mediation apparatus, ready for all contingencies. As long as we have a free society, there will be need for mediation as a voluntary process, and there would continue to be a valid place for a Federal Service, even where there are thriving state services.

The Government and Mediation. Mediation, as a voluntary institution, may benefit from further study, at least to explain why the process may be an art to some and a science to others. More practically, under analysis, its real nature probably would show that it is neither a mystique at one end, nor a branch of mechanics at the other.

Some of the proposals to "improve" mediation are as delicate as a bulldozer improving the land, whose distinctive features are flattened. An instance is the suggestion of compulsory mediation, a phrase which is tantamount to the expression "a false fact". The words "compulsory" and "mediation" are contradictory and cancel each other out in the same way that a fact cannot be false.

Once we inject the ingredient of compulsion, we have a shiny new alloy, but no longer the pure metal of mediation. The coercive rod of government replaces the persuasive gavel of mediation. The power of compulsory investigation is beyond the domain of practitioners of mediation, and deserves separate treatment. Compulsory investigation may serve a valid social end but should be isolated from mediation, a voluntary process.

Part X

THE LABOR MOVEMENT IN UNDERDEVELOPED AREAS

THE LABOR MOVEMENT IN LATIN AMERICA

SERAFINO ROMUALDI
American Federation of Labor

TRADE UNIONS in the twenty Central and South American countries vary widely, and it would be impossible to attribute uniform characteristics to them. The unions which most closely resemble those in the United States are the ones in Mexico and Cuba. There, collective bargaining agreements generally are negotiated by national unions or national trade federations, with the national labor centers or confederations (comparable to the AFL or CIO) playing a supporting role, mainly as intermediary with the government when employers are stalling.

In countries ruled by military governments or totalitarian dictatorships, such as Argentina, Venezuela, Peru and the Dominican Republic, negotiation of contracts — if negotiation is the proper word — is performed by the government, which generally determines by decree what wages and working conditions should be. Employers have far more influence on the final result than do workers.

Prices of minerals and other raw materials in the world market often are the determining factor in what benefits are granted in union contracts. Such is the case with tin in Bolivia, copper in Chile, and oil in Colombia and Venezuela.

Arbitration proceedings and fact-finding boards are very infrequent in Latin American labor relations. Biggest reason for this is the lack of funds, which prevents unions from training their own people to handle such work or from hiring outside experts to represent labor.

Lack of funds also handicaps the unions in other serious ways. Except in Cuba, Mexico and a few other countries, there are no union research departments to supply the union spokesman with facts that would enable him to argue successfully with the employer — so the union frequently comes out second best.

Labor leaders appear extremely reluctant to ask their members for higher dues, or in some cases any dues at all, preferring instead to seek a special subsidy from the government. Too often this puts the union right under the government's thumb. In Colombia, for instance, no union conventions can be held unless the government grants a subsidy for transportation and other expenses. In some countries, Cuba, Paraguay and others, union headquarters are provided by the government.

National laws often control union elections and selection of officials. In El Salvador, the law requires that union officers must be changed at every election and elections generally are held once a year. In Colombia and Chile, a union leader can represent his fellow employees only if he is actually employed by the firm involved. If he is fired, he must give up his union post — and this means frequent changes in union leadership.

Government power to “intervene” in trade union affairs and displace legally elected administrators with temporary commissioners or receivers has led to many abuses, the most glaring in Argentina, Peru and Brazil. Governments which do not have intervention powers often resort to police pressure to gain their ends or, as in Venezuela, simply dissolve the union under the pretext that it is subversive. Mexico has no such practices as these.

But legal recognition of trade unions is required in practically every Latin American country, including Mexico, and without this recognition the unions are not permitted to function. This gives the government great power in forcing the union to submit to its directives. Destruction of the free labor movement in Argentina was largely brought about by the widespread use of this weapon by Peron.

From outward appearances — the millions of organized workers, large treasuries, big buildings, well-paid officials, widespread welfare benefits — Argentine labor might seem to be well off. But the government holds absolute control over the unions, even selecting the leadership. The result is a trade union policy that first considers the interests of the government and takes care of the workers only if their interests happen to “coincide” with those of the government.

Without financial independence, Latin American unions must rely on political and government support and have no independent strength. Labor leaders frequently look toward government jobs or legislative seats as the only way of improving their economic status. Government and employers conspire to keep this situation as it is because it keeps the unions from becoming really effective.

But the day may not be far off when all this will be changed. Young trade unionists from Latin America have seen how the United States labor movement operates when they have been in the United States on Point Four scholarships or attended the Point Four (formerly ORIT) trade union school in Puerto Rico. Wide distribution of Spanish language literature on the history, activities, structure and practices of United States labor also is contributing to a growing desire for trade union independence in these countries.

PROBLEMS OF THE ASIAN LABOR MOVEMENT

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Extent of Labor Organization In Asia

WITHIN THE TIME AVAILABLE for this discussion, it is obviously not possible to explore in scholarly fashion the origin, structure and direction of the labor movements in the vast geographic area called Asia, made up as it is of many peoples, cultures, languages, races, of varying degrees of industrial advancement, and stretching roughly from the Suez Canal to the Far East. About all that can be done is to try, if possible, to develop a set of values which are more or less common to all the countries and areas encompassed within the term Asia. Whether or not such common denominators do in fact exist for such a subject as labor is perhaps a moot point, but events of the post-war period indicate that they do.

For example, recent news reports indicate the apparently spontaneous and to some people surprising development of strikes in Saudi Arabia, an Islamic state being drastically affected by the activities of that most complex Western phenomenon, the modern oil industry. Similarly in Iraq, strikes in the port areas of Basra indicate another area of conflict arising out of the juxtaposition of modern industry and an ancient, emerging society. In Iran, also in twentieth century transition from feudal isolation, labor disturbances and strikes have played a crucial role in post-war history. Strikes in Abadan were the prelude to the Iranian oil crisis. In Turkey, embarked on a program of modernization, there has been a renaissance in the importance of labor which had its origin in the democratic elections which took place in 1950. Trade unions are springing up with great rapidity. In Egypt also, as a result of the revolution of a year or so ago, there is apparent a new vigor in the field of labor which is manifest not only in the attitudes of the Egyptian government but in the organizational activities of Egyptians who work for a living. These brief words about labor in the Middle East would not be complete without at least passing reference to Israel where organized labor, as exemplified by Histadrut, the Israel federation of labor, has become perhaps the predominant factor in the economy.

To note briefly the other areas making up Asia, the relative importance of labor and labor movements in present economic and political developments can be seen in India where labor organizations have played a part in the achievement of national independence. In Burma, organized labor in conjunction with organized peasantry is in a sense the mass base on which the Government relies for its political support. Burma's socialist government is led by people who found what they called a trade union movement a useful device in carrying on their struggle for liberation from a foreign power. In Malaya, the trade union movement today is one of the important forces for social stability, and the essential health of the struggling Malayan Trade Union Congress is at least partly responsible for the increasing containment of the Communist campaign of conquest. In Indonesia, organized labor, for the most part still under effective Communist control, is a major determinant of future stability or instability. In Japan, more highly industrialized than any other country in Asia, the importance of the trade union movement becomes obvious when an analysis is made of Sohyo, the Japanese Council of Trade Unions, and of the political influence therein of left wing socialists whose international political line has come increasingly to coincide with that of international Communism with respect to Japanese attitudes toward the United States. In Communist China, the labor movement, like its Russian model, has become an important instrument for control of China's industrial workers.

These random observations indicating the development of a wide variety of trade union movements in Asia emphasize the existence of several common denominators which may be useful for this discussion. The first would be that in varying degrees labor is now a factor of some importance in all of Asia and is likely to become increasingly so because of the tensions, conflicts, and inter-relationships of the twentieth century. Another would be that whenever an Asian country comes in contact with the industrial West, no matter to how small a degree, there will inevitably be a labor movement of some kind which, depending upon a complex variety of other factors, will range in importance from crucial to minor.

Structure of the Asian Labor Movement

If we can accept these theses, the next problem which suggests itself for consideration has to do with the nature and structure of the Asian labor movement. At this point, it should be emphasized that in studying nature and structure and in determining whether Asian trade

union movements are good, bad or indifferent, important or unimportant, American criteria are not necessarily valid. The American trade union movement is a product of our particular society. So it is also with the labor movements of Asia. They are the products of Islam, Judaism, Hinduism, Buddhism, of a host of languages and ethnological groups and of the influences of the British, the French, the Dutch and — in the case of the Philippines — the United States. It seems worthwhile to repeat these obvious facts because in the post-war period Americans have come in increasing contact with Asian trade union officials and have arrived at value judgments which sometimes handicap them in dealing intelligently with these movements. It may be worthwhile to note briefly some of the inapplicable criteria which are frequently applied in American analyses of Asian labor developments:

1. Asian trade unions subsist only in the smallest part, if at all, through the collection of dues, and are frequently financed by outside interest groups, political parties and occasionally by governments.

2. Asian labor unions frequently do not have a well-developed economic program in American terms and function for nationalistic and political purposes or in other ways outside the scope of trade unionism as it is understood in the United States.

3. There is little or no rank and file participation in union affairs.

Despite these facts, Asian labor movements may still be movements of considerable significance. They exist and need to be understood in Asian terms rather than in ours. The necessity for this understanding is obvious in view of the increasing international relationships of Asian labor organizations and the bitter conflict for the affiliation of Asian workers which is being carried on by the ICFTU and the WFTU.

The Effect of Asian Social Structure on Trade Unionism

Having made the generalization that trade unions are an inevitable development in all Asian countries, let us now look briefly at Asian society to see whether other generalizations cannot be developed to explain the structure of labor movements and developments in the widely disparate countries making up Asia. This is a difficult task in view of the infinite social, cultural, economic and other differences between highly developed, industrialized Japan and other Asian countries where industrialization is not so far advanced. In some parts of Asia, in the pre-colonial era, worker organizations of a kind flourished for which perhaps there is a rough equivalent in the pre-industrial

guild system of Western Europe. To some extent, labor organizations in some parts of Asia continue to partake of some of the characteristics of this pre-industrial form of organization.

Other factors, however, are of much more basic importance. Asia is in process of change and ferment. The hot winds of nationalism blow strongly and, despite the achievement of a political independence based on political forms imported from the West, Western motives continue to be suspect.

Colonialism, Western technology, and recent political independence have made a dynamic impact on Asian society. But despite the occasionally drastic effect of the West on Asia, Asian society continues to be essentially a peasant culture with a peasant base. Its social structure is relatively rigid, hierarchical and to a considerable extent non-egalitarian. Although considerable progress has been made toward its elimination, the caste system in India continues to be an obvious case in point. While social structure may be less rigid in other Asian countries, it still seems valid to conclude that mobility between classes has been negligible. Each country has at its base what might be described roughly as a peasantry. The emerging middle class characteristic of the West is still almost non-existent and at the top there has been a small and literate aristocracy.

The impact of the West, as manifested by the opening to trade of the Far East, by British colonial rule in India, Burma, Ceylon, by the French in Indochina, and by the Dutch in Indonesia, has been that of a dynamic social order on an essentially static society. Colonialism not only had the effect of increasing the supply of raw materials needed by the West, but it developed local production and introduced Western, modern, industrial techniques. It also had the effect of initiating a social and cultural evolution and revolution which has already profoundly modified and may ultimately completely change the static, peasant, pre-colonial Asian society. Together with its techniques for production, it introduced values and ideas which ultimately found their expression in a variety of ways, including the development of labor movements.

The first group of Asians to be affected by these values, laboriously developed in the West with the growth of the industrial revolution, were Asian students who, for the most part, came from the top-most layers of the Asian social pyramid. What these students learned in the West emphasized to them the basic contradiction between colonial practices of Europeans in Asia and social and intellectual developments in the West. One of the major ideas to which

Asian students were exposed was Marxism. Out of Marxism and other Western ideas the Asian labor movement was born—a movement which in its inception had very little to do directly with labor, but was essentially a movement of intellectuals. There are numerous examples of this phenomenon to be seen in Asia today, in terms not only of the present leadership of Asian labor movements, but also of Asian governments.

Thus, at one stage in history Prime Minister Nehru was president of the All India Trade Union Congress. Dutch socialists, exerting influence in Indonesia as a result of Holland's 300 year rule, laid the ground work for the subsequent Marxist orientation of a major segment of the present Indonesian trade union movement. In Burma, students at the University of Rangoon, influenced by Marxism and Fabian Socialism, founded a labor movement and ultimately achieved governmental power when Burma became free from British control. The Chinese revolution is a product of these forces and in its development labor organizations played a part. In Japan too, this type of exchange took place with results perceptible today in the conflicts taking place within the Japanese labor movement. The Asian labor movement, therefore, got its primary stimulus in the political revulsion of Asians, and more particularly Asian intellectuals, against the colonial system. While the economic misery of the Asian masses was certainly a factor, the primary motivation of the developing trade union movements was ideological, political, and social protest against alien rule and only in relatively minor degree concerned immediately and directly with helping workers to obtain a better life.

The hot phase of nationalism in Asia is not yet over and manifests itself in the present actions of trade unions in some areas. For example, in areas where political independence has been achieved but where foreign capital continues to be necessary for economic survival, strikes are likely to occur first in foreign owned enterprises whose wage levels are substantially higher than those which prevail in locally owned industries. The protests of workers, led by intellectuals, may ostensibly have to do with obtaining still better wages and more amenities, but may actually be motivated by anti-foreignism directed, among other things, at the lack of job opportunities at the management level. The fact that local workers or labor leaders may not be technically equipped to carry out managerial functions is really beside the point. They are still protesting against foreign domination. This is not to say that there is no protest against economic inequity as such

or that Asian labor unions do not also act against native employers. Obviously they do, in varying degrees.

Asian labor movements are not only nationalistic, anti-foreign and anti-colonial, but they also function within the framework of industrialization which varies in its maturity throughout the Asian area. The industrial revolution and its ideological and social and intellectual concomitants have made a terrific impact on Asian society, but, despite Asia's determination to develop factories, hydro-electric power, transportation and the like, a feudal system of agricultural production still predominates. Agricultural mechanization is almost nonexistent and almost everywhere agriculture is overmanned. While not all countries in Asia suffer from the problems of over-population, industrialization has had the effect of breaking down village economies and of setting in motion a long term trend toward the creation of a surplus agricultural population for whom there is no effective employment in the old village agricultural system. Wartime dislocations have accentuated the influx into an inadequate urban labor market of an underemployed, agricultural, surplus population who now need jobs. All of the major cities in Asia are now crowded with people who are inadequately housed, inadequately fed, who seek jobs in an emerging industrial society. This movement to the cities has resulted in the creation of a proletariat, employed to some extent in slowly developing urban industries but with roots still going back to the country and the village. In the meantime, Asian and Western universities continue to turn out graduates for whom there is often no effective employment and many of them, without other opportunities for leadership, find labor an effective instrument for voicing their personal frustrations.

Perhaps it is now time to re-define the nature and structure of the Asian labor movement as it now exists, as an introduction to a discussion of the role of Asian labor movements in the complex tensions which today characterize that part of the world. At the bottom, there are the illiterate, half urbanized, recently agricultural workers who make up the relatively small industrial labor force of Asia. Its capacity for effective protest on its own initiative is limited because of its low status, its poverty and illiteracy, but it is susceptible to the arguments of its social betters, the intellectuals. The strength of the illiterate masses is considerable, but only to the extent that they are led by people who are capable of articulating their social and economic grievances. From the standpoint of the masses, ideology as such does not really matter. Thus, a Communist labor movement in Asia, in terms of the rank and file, has nothing very much directly to do

with the doctrines of Marx, Lenin, and Stalin; they simply follow leaders of Marxist persuasion who have been able to convince them that through their leadership there are grounds for hope. The same thing is true of a so-called non-communist labor movement. As a result, the inarticulate masses may flow from one leadership to the other and the effectiveness of either type must be measured, not by membership meetings or by dues collections, but by the efficiency with which it can cause the workers to respond to a given situation at a particular time.

It is out of this situation, that many of Asia's present labor problems arise. Where labor was a force in the revolutionary fight against Colonialism it was often as a result of a labor platform common to both Communist and non-communist leaders. Where non-communist, nationalist leaders have achieved political power, they can no longer be content simply to oppose colonial exploitation. They have new responsibilities which they must discharge and new problems to solve. Out of historical necessity, however, non-communist labor movements frequently continue for political reasons to war as much against each other as against the Communists.

Present Labor Trends in Asia

But despite the domination by political parties of non-Communist trade union movements and despite the competition between these groups for power, there is an increasing tendency in many Asian countries to reorient their movements along what might be considered more orthodox lines. This manifests itself in the continuous if unsuccessful attempts on the part of non-Communist Indonesian trade union federations to achieve a basis for unity and common action. It can be seen, to cite another example, in the increasing cooperation between the Socialist and Congress Party oriented labor federations in India. It is apparent also in the program of action developed by the Malayan Trade Union Congress, as well as in the increasing pre-occupation of the Trade Union Congress of Burma with purely trade union matters.

To achieve success along these lines, however, is a difficult process in many Asian countries, not only because of the political conflicts which continue to exist, but also for a variety of reasons including the following:

1. Intellectual labor leaders, expert in leading workers for political purposes, do not know the techniques of democratic trade unionism. They are interested in learning these techniques and have

sought help from a variety of sources including the ICFTU, the International Trade Secretariats, and the American labor movement.

2. Asian trade unions are not strong enough financially to function in traditionally trade union ways. There is, therefore, an increased necessity to make themselves self-sustaining, free from subsidy and control by political parties, governments, and other special interest groups. This is a difficult goal to achieve because of the low wage level of Asian workers and, consequently, outside union assistance is frequently asked from the ICFTU and from Western trade union groups.

3. Non-political trade unionism, by its very essence, requires participation of its membership in trade union affairs. It is much easier to persuade an amorphous mob of workers to respond to emotionally stirring slogans for political strike purposes than it is to create a stable, participating union membership. Despite the tremendous difficulties involved, Asian labor leaders are, as a result, concerning themselves increasingly with programs of workers education. This is a long-term process which is initially more difficult in Asia than in the United States because it must include not only teaching workers what a trade union is but teaching them how to read and write.

All of the above argumentation is based on the thesis that labor in Asia has a central and basic importance. This thesis has occasionally been disputed by some observers of the Asian scene whose arguments run along these lines. Taking into account the inevitable impact of Western ideas and technology on Asian society, they say, it is still a fact that Asia is predominantly agricultural. Of its total population only a small percentage is engaged in industrial employment, and industries themselves, for that matter, are limited in number. How then can the chaotic, numerically small, poorly organized industrial segment of Asian manpower constitute a significant factor in Asian affairs? The answer to this question is to be found in a determination of where in Asia tensions are likely to be most acute. Despite the inequities of the present agricultural situation in Asia, social tensions are much more likely to be acute among non-agricultural workers. In India, for example, a strike of a thousand peasants or landless farm workers is not likely to affect the economy in any important particular. But a strike of several thousand dock workers might very easily cut India's shipping with the outside world. In Indonesia's plantation economy, an effective strike of plantation workers could cut off one of Indonesia's main sources of foreign exchange. In Saudi Arabia, no strike is likely to take place among nomadic Bedouins, but a strike

did occur in the oil installations of the Arabian American Oil Company. In short, it is not the numerical total of Asian industrial labor but its strategic location in Asia's total population which makes its labor movements important.

Within this broad context, Asian labor movements must, therefore, be considered important. The communist estimate of labor's importance is shown by their Pan-Asian program of developing trade unions where none exist and infiltrating those where they are not in power. The Tudeh Party and its activities in the labor field in Iran, the Pakistan Federation of Labor Unions, the All India Trade Union Congress, the All Burma Trade Union Congress, the Pan-Malayan Federation of Trade Unions (which set off the Malayan civil war), the powerful Communist-dominated federation of labor in Indonesia, are all cases in point. The WFTU, through its Asian offices in Peking, is engaged in a constant campaign to subvert Asian labor movements in the interest of Communist conquest. The ICFTU is attempting on the non-Communist side to influence Asian labor unions. On its side, the ICFTU has serious problems. From an Asian labor point of view, it is not enough to be anti-Communist and Asian unions are increasingly demanding services which from their point of view they ought to have and which the ICFTU with its limited resources finds it difficult to provide. Nonetheless, a substantial beginning has been made. Contacts between Asian and American labor which can be traced historically to the late 19th century have also increased in number and effectiveness during the post-war years. So too have the contacts between the international trade secretariats, particularly during the past year.

Perhaps the most seriously limiting factor, however, in the increasingly cordial relationships between Western and Asian unionism lies in the fact that our knowledge of Asia, including Asian labor, is still far from sufficient. American labor and the ICFTU, for reasons of historical association, find it easier to deal with European problems. Although Western labor has been consistently opposed to colonialism, it has known very little about the nature of the one-time colonial areas of Asia. As we are concerned with other aspects of "under-development" in Asia, so also must we now learn more about Asian labor movements in the interest of mutual assistance. To do this, we must somehow transcend the barriers of language and custom and learn more than we now know about the history and development of Asian unionism. Asian unionists study America in increasing numbers. We must learn to know them as they are learning to know us.

INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS AND THE DEVELOPMENT OF THE TRADE UNION MOVEMENT IN UNDERDEVELOPED AREAS OF THE WORLD

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NEVER, I AM SURE, has so long a title been applied to an organization so little known to the average American. Even in these days of alphabetized titles for everything and everybody, I am sure the initials "ICFTU" would bring less recognition from the average individual than would the name of the latest "pop, bang or crackle" cereal.

But as a matter of cold fact, the ICFTU is presently or potentially more important as a political and social instrumentality in the free world than almost any other peoples' organization any of us could name.

Since I am sure that today you are less interested in eloquence and oratory than you are in "just having the facts, ma'am," let me tell you the "whys," the "whats," the "wheres" and the "hows" of the ICFTU and omit the window-dressing and the slick slogans.

As I am sure you all remember, the ICFTU was born in December of 1949, in those days when the harsh realities of international affairs were replacing the optimistic dreams we all shared in those too few years of international cooperation following the end of World War II.

It was established to replace the World Federation of Trade Unions, which we in the CIO hopefully expected would be an organization in which the East and West could work together — an expectation we shared with all who looked for the East and West to work together constructively and cooperatively in the United Nations.

By December of 1949 there was no longer even a faint hope that the World Federation of Trade Unions could ever be anything more than a political arm of the Communists. So the ICFTU was formed as an organization dedicated to welding the free trade unions of the world into an effective brotherhood which would bring the great power of worker solidarity to the task of winning peace, bread and freedom for workers everywhere.

The ICFTU from the day of its formation faced, it seems to me, two alternatives. It could become either an organization which existed only to hold an annual world congress at which the representatives of the free trade unions could meet, discuss, debate and adopt resolutions, or it could become a working organization, which not only adopted resolutions but sought to translate those typically well-rounded expressions of opinion into practical reality.

Of course the latter was a much bigger, much harder task and there was a calculated risk involved. An organization which merely "resolves" shares no blame for possible failures. An organization which attempts to act always courts that danger.

To the eternal credit of those practical men and women who make up the free trade union movement, it was the latter, more dangerous but more valuable pathway which was chosen — chosen unhesitatingly and with a full knowledge of the pitfalls ahead.

In testifying to the effectiveness of the ICFTU and the rightness of this choice, I speak not as a theorist but as an eye-witness. For as the European representative of the CIO, I have seen the ICFTU in operation at both the strategic and the tactical level.

The determinations have been practical — not fantastic. The operations have been of the hard, prodding, determined sort which produce results and not mere sensational headlines. And the results have been more dramatic and breathtaking than any other single venture in the continuing struggle between democracy and despotism.

We in the CIO, and, I am happy to say, we in the ICFTU, share a sincere conviction that the battle against Communism will be won in the rice fields, not the battle fields, of the world.

The history of our struggle against Communism proves that. Where we have met the Communist menace on the battlefield, there have been death and destruction and deadlock. Through force of arms, we have reached the most we can ever hope to reach—a stalemate.

All of us, I am sure, subscribe to the only realistic approach to aggression — the approach which former President Truman made a doctrine of international relations.

That doctrine is, of course, that when the first armored columns of an aggressor roll across a frontier bent on conquest, there must be immediate collective resistance. All potential aggressors know that will be the answer to the use of armed might and we know that is the only possible policy for our government and for the governments of the other freedom-loving countries to adopt.

But such a policy is essentially the negative approach to the problem of beating Communism. And beat it we must.

For that job — the number one task of all who believe in individual freedom — demands a positive approach and such is the program and the policy of the ICFTU. It is a positive approach to the task of winning men's minds, hearts and loyalties.

It is a policy which has proven itself in West Berlin, and even in East Berlin last June. It is a policy which has proven itself in isolated Austria, in troubled France — proven itself wherever the forces of totalitarianism, either of the far left or far right, have sought to undermine freedom.

It is a policy built on the simple thesis that where hunger, misery and individual despair exist, there exists too a fertile field for the evil seeds of Communism — or Fascism. It is based on the simple belief that a free, democratic labor movement can be both a bulwark of democracy and an effective attacking force for democracy.

It is predicated on the simple theory that workers, standing together, can build a better life for themselves and their families and their country; that free unions can prove that bread and freedom are compatible; that liberty and individual security, of necessity, go hand in hand; that brotherhood, social and economic justice can be realistically achieved only where people are free to determine their own political and economic destiny.

Working from that premise — and no one has ever or can ever prove it invalid — the ICFTU has moved.

Operating through its regional organizations — the Asian Regional Organization, the Inter-American Regional Organization (ORIT) and the European Regional Organization — the ICFTU has attempted to work in those areas where work was most needed by supporting, financing, and even undertaking the organization and education of workers.

Where free unions existed, the ICFTU has worked to strengthen, expand, and assist. Where no free unions existed, the ICFTU has not been satisfied to sit back and wait, but has undertaken to fill that void in the democratic structure.

These regional organizations, which were launched in 1951, have been financed through a special fund of \$700,000, with the largest, single contribution and pledge coming from the British Trade Unions — a sum nearly matched by the CIO's contribution of \$160,000.

These regional organizations are manned by the leaders of the free labor movement in the areas involved. The supervision of the fund activities was delegated by the ICFTU Executive Board to a special seven-man committee, of which I had, while stationed in Europe, the honor to be a member.

The ICFTU and its regional fund have not operated as a super-bureaucratic organization. Its projects have been decentralized. They have been democratically determined at the local level and wherever possible have been locally administered.

I do not have time here to detail the literally hundreds of activities which have been undertaken.

They run the gamut from preliminary surveys, like those which led to the establishment of bona-fide labor establishments in Turkey and Egypt, to missions of trade unionists to the rubber plantations of India and Ceylon, Venezuela and Bolivia.

They resulted in the extension of union privileges in Lybia and Brazil, the organization of oil workers in Arabia, and the establishment of labor schools in Calcutta and Puerto Rico.

In France and in Italy, the free trade unions have been assisted in organizing drives and schools to train organizers have been established where needed.

There is far more that I just don't have the time to list that has been accomplished with this \$700,000.

We look upon it as an investment — an investment never to be repaid in cash, but certain to result in those immeasurable dividends which we call a better life for millions of people.

And for those who can visualize a credit column only in terms of dollars and cents, let me point out that this investment has been multiplied hundreds of times in additional wages and improved working conditions for workers throughout the world.

And on the rubber plantations in Malaya, in the barracks where textile workers live in Calcutta, and in the oil fields on the other side of the Red Sea, men and women have learned that their fellow workers can help them bring an end to exploitation and hunger, without erecting a single barricade in the streets.

Mimeograph machines — not machine guns; sound trucks — not flame throwers; pamphlets and bicycles instead of armored columns — these are the weapons which we in the ICFTU have used to combat Communism and to build the kind of world where Communism withers and dies.

No — it is not dramatic, it is not sensational. It will never make a headline in the Chicago Tribune or the New York Daily News.

But it is the kind of earnest, day-to-day activity, the kind of positive, affirmative work that we are convinced can eventually build that better world — that world where free men can live in peace and where brotherhood and justice can be achieved through ballots instead of bullets.

No, the initials "ICFTU" may never be as universally known as, say, "LS/MFT."

But in the important task of winning friends for democracy, it is my considered opinion that the ICFTU has few, if any, equals — and certainly no superiors.

DISCUSSION

OSCAR ORNATI
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In his survey of Asian Labor Movements Mr. Kaukonen has emphasized three central ideas:

1. That the labor movements of Asia are to be considered "important" — although in degrees varying from country to country — and that their further development is assured. He argued that their importance arises from their "strategic location" rather than from their numerical strength.

2. That to understand the nature and characteristics of Asian labor movements one must look at the historical, social and economic configuration of the countries of Asia.

3. That Asian trade unions display tendencies pointing to an organizational and ideological reorientation "along what might be considered more orthodox lines" To do so labor leaders are trying to:

- i. learn techniques of "democratic trade unionism";
- ii. are emphasizing programs of worker education;
- iii. are attempting to separate themselves from government or party ties.

Applying these generalizations to India, as a case in point, I find considerable "closeness of fit." My own studies have led me to roughly the same conclusions. I will, therefore, analyze Mr. Kaukonen's remarks in terms of the Indian experience, essentially to amplify and expand upon what he has already contributed. In addition, I will raise a few general questions which, I believe, need to be raised at a meeting such as this.

I.

I agree that it is the "strategic location" of labor organization that gives it its importance. Indeed the potential stranglehold of the Indian dockworkers over the total economy is crucial. So is that of the Railway workers whose strength recently increased through amalgamation.

But considerations of the importance of the labor movement rest also on its role as a social and economic "elite". Since the early twenties the labor movement of India developed into a group with definite views on economic and social problems. It is a group equipped also with means through which it can present, and occasionally im-

pose, its views upon the larger society. For precision one should talk of at least three interlocked groups — or “elites” — that make themselves felt in a multitude of ways.

The three groups are:

1. The labor leaders; their importance arises out of the identity of political party and union leadership, out of the charismatic qualities of their leadership.
2. The industrial workers; they derive their importance from their role as teachers of industrial skills and of habits of industrial life to the newer refugees from the villages.
3. Finally, the syndrome leader-laborer-union, potentially a very important economic elite because of its control over one of the means of production, has a definite impact on Indian society because of its reform oriented attitudes, its social aspirations and its power to lead urban masses.

Thus in India the importance of labor rests on a multitude of considerations that go beyond those connected with the importance of organization in a particular spot in the flow of production of a given industry or, in a particular industry in the flow of goods and services of the economy.

II.

In looking at the major determinants of the nature of the Indian trade union movement I, like Mr. Kaukonen, have found “pay dirt” in the study of the basic forces, such as the social structure, the economic organization, etc., which shape the nature of social institutions. Surely this is central.

Among the basic determinants of the nature of the Indian labor movement the extreme poverty of the masses is one of the most important. But it is worth while to note the particular nature of the plight of the industrial worker. On the whole he is worse off than his agricultural brother. While the latter’s income is lower and while he is often near starvation, he approaches it by small intervals — almost asymptotically: something can always or almost always be gathered, gleaned or eked out of the land. In the cities the situation is different. Discontinuities exist; unemployment often means actual starvation and the threat of unemployment is always present.

The poverty of the industrial worker is different in another sense. He misses the social perquisites that industrial societies create for themselves over time. But Indian cities have grown rapidly and have

not yet developed sufficient distributive facilities, sufficient housing, health and schooling accommodations to satisfy the needs of the industrial workers. Thus it is not only a matter of economic backwardness in terms of "stomach hunger" but also in terms of the lack of a minimum of social perquisites.

It follows that many of the trade union demands in India are demands for improvements in social conditions. As such they are meant to cure a general evil rather than to satisfy the needs of the workers as members of a special group. Indeed the unions try to rectify unsatisfactory conditions affecting the community as a whole rather than only their own membership.

III.

I am not quite sure what Mr. Kaukonen means when he notes the "increasing tendency of many Asian countries to reorient their movements along what might be considered more orthodox lines." I assume that he means that the trade unions of the future will behave more like American trade unions. This might very well be so; though this development is not a necessary one.

The "increasing cooperation between the Socialist and Congress Party labor federations in India" does not seem to indicate to me an attempt of the labor movement to separate itself from the domination of political parties. It represents only a shift in the political configuration arising out of the peculiarities of the present political lineup. Nor do I see how or why the labor unions should separate themselves from political movements. To the extent that the needs of the workers cannot be satisfied by employers alone—and indeed often, even though willing, they cannot fulfill their "responsibilities" as far as housing, schools, hospitals, etc.,—political action and party alliances will be a prerequisite for effective trade union action.

It is true that the trade unions of India have tried to strengthen their financial and organizational position but this is essentially to enable them to have a greater say in party policy, not so they may leave the party. In this endeavor they have not been very successful.

IV.

In view of the recent stress on the "importance" of the trade union movement, I feel it necessary to take up this point once more.

In India, whatever labor gains have been achieved can be traced, in almost all instances, to governmental support. Thus improvements

in shop conditions were brought about by law; works committees, giving the workers an extremely limited say on matters of plant discipline and welfare, are being established because they are required by law; trade unions have been successful also in bringing about the establishment of social funds and welfare schemes. But even governmental assistance was useless in the worker's attempts at bringing about the effective establishment of minimum wage standards. It seems that union gains are possible only through government assistance, and even here only if their demands do not encroach directly upon the interests of the employers. The same situation appears to exist in other countries of Asia and South America.

The important question then seems to be: How important are the trade unions of underdeveloped countries? Can they originate changes or can they only affect the forces already in motion? Can unions determine the rate and path of industrialization? Can unions bring about a change in the distributive shares or can they only affect the form that the worker's traditional share will take?

Such questions appear central in any evaluation of the importance of the labor movement of underdeveloped countries. They remain unanswered. I am not sure how one goes about answering them. I would suggest that there is no single answer for all the underdeveloped countries.

All the speakers of this panel agree that the situation differs from country to country but there is afield an insistence on talking about "underdeveloped countries." May I suggest that we would do better if we were to use a different approach.

The problems of India and those of Kenya are not the same; the problems faced by the Plantation Workers of Assam are not the same as those facing the Postal workers in New Delhi.

Thus research on labor problems in the underdeveloped countries must, in its scope, be geared to different levels. This is particularly the case for research that precedes the initiation of social and economic policies. Indeed, policy decisions are generally formulated to be operative within national boundaries. This in itself might be an oversimplification which may be disastrous in the effectuating of certain policies. Generalizations at less than the countrywide level are even more meaningful. Instead of talking about the problems of Indian labor we should be talking about the problems of certain Indian regions. In this particular case I suggest that research should be made on the problems of labor of South India by grouping Madras, Hy-

derabad and Travancore — looking on the problems of Central India ; on the problems of Gujaraty India, etc.

This does not mean that I am advocating particularism for its own sake. Indeed research can and should be conducted on a cross country level. But if we are to do this we must orient our study more precisely. We may, for instance, do parallel research on worker mobility or on trade union leadership, or other such problems. But even in this case such studies must be conducted in countries whose problems are similar.

I suggest that there are several ways of arriving, on an *a priori* basis, to groupings of countries facing similar problems. Some of the many criteria which can be used to arrive to such grouping are the following :

1. By separating countries that have achieved national independence from those that have not ;

2. By separating countries according to the degree of industrialization. This can be done in several ways, such as :

(i) Through measuring the proportion of workers engaged in industry as compared to the total economically active population ;

(ii) through measuring the pattern of industrialization and differentiating production for home consumption from production for export ;

3. By separating countries according to the chronological time period in which industrialization — and therefore, the level and type of technology was first introduced.

There are obviously many other such criteria whereby such groupings can be achieved, the value of which I cannot spell out here.

Part XI

MANAGEMENT PERSONNEL PHILOSOPHY AND ACTIVITIES

A PERSONNEL PHILOSOPHY FOR MANAGEMENT

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THE BASIC RESPONSIBILITY of management is to so conduct the affairs of the enterprise that its future growth and health are assured. It might be said that the present management of a company is in effect a trustee for the future of the enterprise. This concept, which is a static one, is not altogether complete, since the complexity of modern-day industry has a dynamic quality which produces quite rapid changes in the atmosphere in which business is done, and which requires that management be very sensitive to the impact of changing conditions.

Do you realize that the United States has developed an industrial machine which is so huge that, to quote from President Truman's Raw Materials Utilization Committee, "it chews up 50% of the raw materials of the free world each year"? It has doubled in size since 1939. It has become so interdependent that a work stoppage from any cause whatever in a strategic plant will quickly bring whole segments of this vast industrial machine to a halt.

We are living in an economy which is based on *desires* and *wants* instead of needs. Competition is increasingly in the product field for a share of the consumer dollar. It can truly be said that "the factory whistle does not blow unless the cash register rings." We are living in a society of choice where Mr. and Mrs. America exercise the veto power every day. We are living in an economy which is highly sensitive to Sales. We are living in an economy where high break-even points resulting from high costs are prevalent.

It does not take much of a drop in total sales under these conditions for a company to go in the "red." For these reasons thoughtful management men realize that America cannot afford industrial stoppages. Thoughtful labor leaders likewise appreciate that critical work stoppages can provide mass unemployment which seriously affects the standard of living of our workers. Industrial work stoppages affect all of our people — workers, owners, customers, alike. The existence of our free economy would be placed in jeopardy if a widespread industrial disruption occurs.

Let us take a look at management's basic responsibilities.

It has a responsibility to consumers for quality goods which are unadulterated, and for fair prices, by avoiding cartels and combinations that exploit the consumers.

It has a responsibility to owners to protect and increase the property, and to use the facilities as determined by the necessity of the public welfare.

It has the responsibility of securing a reasonable return on capital, commensurate with the time and talent invested, and the services rendered.

It has a responsibility to the employees: first of all, to treat them as humans in every sense of the word and not as "economic men"; to provide continuous employment as far as practical under the unpredictable cycles of business; to pay a living wage as judged by our standards of living; to promote the self-respect of the individual and to recognize and deal fairly in good faith with the employee's representatives in an atmosphere conducive to mutual respect.

It has a responsibility to the public as a whole to make the profit motive subservient to the service one; to use the industrial machine as a means to promote the general well-being, and not as an instrument of exclusive and unique advantage.

Thoughtful management leaders recognize that this is the sole road to survival if they are to fulfill their responsibility for the future.

Ways and means must be found to develop an atmosphere conducive to peaceful labor-management relations.

To undertake this responsibility, management now recognizes that it has certain rights, and must be assured that these rights will be protected. Assurances are needed that management will be able to conduct its affairs free from unnecessary governmental interference. It needs the assurance that a reasonable return on capital invested, in the form of profits, is recognized as necessary for the preservation of our private enterprise system. It needs assurance that it can operate the enterprise under decent standards of competition. It needs assurance from labor that a contract bargained in good faith will be upheld without breach; that an honest day's work for an honest day's pay will be received; and that standards for such pay and production will be agreed upon by definition. This is vital to the future of the business since productive man hours are essential to continued existence. Lowered production levels, slow-downs, and "quickies" must be eliminated if management is to undertake its several enumerated responsibilities.

Management further requires assurance from labor that its responsibility to the owners, the public, and consumers is recognized, and that management's duties in this respect be discharged without interference. Management further requires assurance from labor that the credibility of management will not be attacked, and that this basic function of management will be made a part of union information, since it should be supported by the union leadership.

Labor likewise has rights which are commensurate with its role in society. It has the right to assurance that management will accept the fact that collective bargaining is here to stay and that the union, as an institution, plays an important role in American life, and that this role should be carried on without interference or attempts to alienate the membership. Labor likewise has the right to expect that the enterprise will provide opportunity for decent human life for each worker and his family. Labor has the right to consideration by management in planning production so that a living wage, and an opportunity for the utilization of latent talent be provided to the worker to the fullest possible extent.

Labor has the right to an increasing improvement of its standard of living, and the assurance that such improved standard of living shall be provided at the bargaining table, where informed labor-management leadership sees to it that labor's fair share of the fruits of industry be based upon labor's contribution to the productive needs, and the growth and health of the company.

Labor has the right to an assurance that society will permit it as a group to develop its potential to promote the common good in the public welfare.

Labor likewise has these responsibilities in its relationship to management. First and foremost is to uphold the collective bargaining agreement in good faith and to avoid irresponsible breaches of the contract by individuals or groups.

Labor leadership must fully inform itself about the industry. It is the responsibility of labor to be able to determine what a just return to the worker should be, and to be satisfied with a reasonable return in the distribution of the fruits of production.

Labor has the responsibility, having determined the criterion for a fair day's work, to see to it that it is delivered by its membership.

Above all, labor has the responsibility of developing trained and capable, qualified bargaining negotiators who understand industrial problems, and who recognize that a mutuality of interest exists. Labor has the responsibility for using collective bargaining to promote

the common good and not merely to make excessive demands regardless of the state of the business, the pattern set by other unions or the condition of the Nation.

In giving assurance that management requires to carry out its responsibilities and to achieve a mutuality of interest and respect, it is necessary that labor clear all doubts and state that it fully accepts private ownership as the American economic way of life: that this is labor's economic philosophy, and that it recognizes that the welfare of the workers (its members) depends upon the successful, profitable operation of the business.

Last but not least, and this calls upon labor leaders for maturity and restraint, labor has the responsibility to temper its power with intelligence.

What is lacking? This is the greatest problem confronting management. It is to obtain the willing cooperation of the workers. Management is devoting brains and money to develop top-notch human relations, but as yet has no widespread understanding of employee motivation, desires and needs. (The same can be said of labor leaders.)

If I were to enumerate these motivations, they would be basically as follows:

- a. The desire for economic security. A home, food, clothing, an atmosphere in which to raise a family and to live a life in peace.
- b. To be treated as a person of importance, as a personality, with respect, under the status which he has attained in the community.
- c. An opportunity to improve his condition of life, to improve his skills, to be promoted to the end that his earnings produce a better life for him and his family.
- d. A desire to feel that his work is important, that it has significance, to understand the part that he plays, how he participates in the needs of others. This is most necessary today when work has been so subdivided that the craftsman has been almost eliminated.
- e. A desire to be liked by the group with which he works. The influence of this social desire is very strong.
- f. Last but not least, is the desire of people to be proud of the company for which they work, the product that they make, the

leaders that they follow (including their foreman) and their fellow-workers. These things are identified with the worker at his workplace. These are the innate desires which are in every employee, and to the degree that they are not understood, and to the degree that the work environment does not produce them, and to the degree that management fails to recognize them, cooperation between the employer and the worker is lacking.

Probably one of the reasons for such lack of cooperation is the lack of belief in the integrity of others. Where management's credibility is constantly under attack, and where management believes that union leadership tends to distort to its own advantage the relationship between union and management, there can be no peace. Responsible, sane, mature leaders should carefully examine their relationship and seek to eliminate this distortion of views.

What is being done? All over the United States, managements are developing personnel policies and programs seeking to improve this relationship. Executive and foreman training courses in human relations, better planning and stabilization of employment, emphasis upon better communications — these are some of the ways in which management is actively beginning to deal with its responsibility in this particular field.

Perhaps the greatest advance has been in management's thinking and attitude towards their personnel policies and programs. This thinking can be summed up in terms of what today are considered to be the necessary ingredients of a sound personnel policy.

These ingredients are :

- a. The moral code and character of the business.
- b. Good leadership willing to commit itself in writing to sound principles of administration and organization, and whose decisions are motivated by policy rather than by expediency and exploitation.
- c. The practice of consultation and explanation up and down through all echelons of the organization, to the end that people are informed with respect to all things that affect their jobs.
- d. A management philosophy and attitude which permits freedom of expression of points of view and attitudes without fear of reprisal.

- e. The development of working environment that appeals to the self-respect and dignity of the individual.
- f. Sympathetic consideration of people as humans, with regard to their trials and tribulations.
- g. An employment status which provides, as far as practical, certainty of employment.
- h. The development of a plan of promotional opportunity.
- i. A wage and salary structure known to all, which recognizes differences in job and position requirements as measured by such factors as knowledge, skill and responsibility.
- j. A training program which is designed to help everyone to perform in the best known ways the tasks that are assigned.
- k. Finally, recognition in many ways, including some of the other ingredients, but particularly through individual evaluation, so that it may be said of each person on the payroll that he is prepared in his present job, in training for his future job, and by his ability, attitude, and motivation is integrated with the future growth and development of the company.

Many will scoff — many have said to me that such thinking is ten to fifteen years ahead of our times, but more and more I see these changed concepts, this program being put into action. Many management men are adopting this philosophy.

I believe that industrial peace is possible, if informed leaders in both management and labor circles will try to translate words into deeds — for this is the only way that the proper kind of industrial peace will be achieved. Moreover, I say it must be so, for all our sakes.

MANAGEMENT PERSONNEL PHILOSOPHY AND ACTIVITIES IN A COLLECTIVE BARGAINING ERA

SOLOMON BARKIN

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ENTERPRISE-CONSCIOUSNESS, like class-consciousness among workers, are both marks of another era. Because we associated class-consciousness with politically oriented trade unionism, we discarded the concept quickly with the spread of trade unionism concentrating on economic action. We have since recognized the many forces which have rendered the class conscious outlook inappropriate for our country. Appeals in terms of class do not meet with a ready response among the vast congregations of the American working people. To arouse group identity and create cohesiveness, an issue must have personal meaning to them. One cannot rely solely, as in the past and in other countries, on loyalty and emotional ties to an abstract economic class. The events of the last fifteen years, associated largely with the sweep of trade unionism and the tremendous gains by workers in status, income and benefits, have accentuated this unique characteristic of the American worker.

Many people have recognized the weakening hold of class-consciousness, but few have enjoyed the same clear perception of the declining significance of enterprise, or plant-consciousness. Workers are now less ready to accept the well-being of the plant or enterprise as the determinant of their own behavior. Here again, their test is broader personal advantage, for which there has been a greater play in these last years of full and high employment with new industries and jobs.

Managements and academic students of management policy have rarely acknowledged or discerned these trends. The former have feared to change their philosophy, no matter what practical alterations they have made in their behavior. They have, in fact, tried to maintain the feeling of enterprise-consciousness with every means at their command. Personnel practices have been developed to implant this consciousness and extract every practical benefit from the acceptance and operation of such attitudes.¹ They have not yielded

¹ The present paper is a continuation of a discussion of the subject of management personnel philosophy presented in the *Harvard Business Review*, September 1950, in an article entitled "A Trade Unionist Appraises Management Personnel Philosophy."

to the changing facts because they have feared surrendering the benefits of the theory of management preeminence and prerogatives. Even employers who have recognized trade unions as separate, independent institutions with distinct systems of logic and collective bargaining, and who have, themselves, helped to create situations representative of industrial peace, have continued their memberships in national organizations which fight unions and endorse legislation like the Taft-Hartley Act to hamper their rise and operations. They, too, have not fully given up their beliefs in the primacy of the managerial interest at the plant level.

The men presenting formal descriptions of personnel policy have not rewritten their precepts for managerial behavior. It seems, even to some authors of studies on industrial peace, that a full re-evaluation of management enterprise-consciousness is not necessary. But to the active labor participant of collective bargaining, it is apparent that management's philosophy and practice must be recast as a prerequisite to developing a mature philosophy of industrial peace.

How can the older view of enterprise-consciousness, dedicated primarily to advancing the worker's attachment and obeisance to the interests of the enterprise as directed by management, survive in face of management's obligation, under sound union-management relations, to accept as material the trade union value system? Must not the employers, also, accede to the constant consideration of and accommodation to the basic trade union objectives: the elimination or reduction of human costs in production; maximum advancement in economic gains, security and citizenship; and the strengthening of the union itself? Industrial peace, it is declared, requires "strong, responsible and democratic" unions which will enjoy the workers' allegiance, a synonym for loyalty. Must not, therefore, personnel philosophies adopt the principle of multiple loyalties as an integral part of our industrial system, as it is of our social system? If the conflicting value systems are to be reconciled through "problem-centered negotiations" on the basis of mutual trust and confidence, with free access to information by all parties, older maxims and concepts of personnel management must be rewritten. Other important social values are acknowledged both by management and trade unionists, and illustrated by such programs as the hiring of the handicapped and non-discrimination in employment must be absorbed into this new body of maxims. The individual employee's interests has to be more

clearly defined in the light of his responsibilities to the enterprise and union. Is not a rewriting of the philosophy, then, required?

Other social experiences have reinforced the worker's increased alertness to his own self-interest. Foremost is the prevailing acceptance of the employers' right to close plants and liquidate enterprises without concern for personal and social effects. Many owners live by an older code—that their only responsibility is to earn profits for themselves and increase their capital. They have paid little heed to their obligation to make the enterprise thrive through investment, ingenuity and modernization. Certainly, they know nothing of the duty, being deeply inculcated into America's industrial practice by trade unions, to improve workers' well-being each year and maintain employment regularity. The post-war years, in the textile and other industries, have witnessed the abandonment of plants by wartime speculators, by older, unenterprising and inadequate managements and by operators who have fled from areas where they made their riches to districts where they can operate with lower labor rates and other advantages.

What plant loyalty can there be, when one is employed by or has observed the actions of the large multi-plant corporations? For them, each plant is a unit to be appraised in terms of economic merit. If obsolete or improperly located, it is scrapped. The cold rules of business returns are the primary determinants of its fate. Certainly, workers have a right, in face of these and similar experiences, to be cynical of any personnel philosophy dedicated to the promotion of enterprise-consciousness.

Then, too, management's own code of behavior provides workers with a clue for their attitude. A national magazine, recently discussing the transient in our society, remarked that he was the hobo in the early decades of this century and the business executive in the forties and fifties. Advancement for the latter means a movement up the business ladder by transfers from one plant to another in the same company or the acceptance of better personal opportunities in other companies. Personal advancement is the determinant of the individual executive's course of action. It is not customary for him to remain in one plant.

The abandonment of an enterprise-conscious personnel philosophy for one better adapted to the acceptance of collective bargaining requires the reevaluation of many current industrial policies and practices. Moreover, it should even lead to significant changes in employer proposals to unions.

First and foremost, it means the renunciation of the sections of the Taft Hartley Act which permit the employer to intercede in the procedure for unionizing his plant and in inter-union contests. Without the abjuration of this claimed right, the two systems of logic cannot be accommodated. Workers must be completely sovereign within their own realm. It must be assumed that employee organization is in the best interests of all. Direct or subtle efforts at, or the approval of, the undermining and destruction of the workers' right to organize or of trade unionism are a denial of collective bargaining.

The second area for positive reevaluation is that of the selection, assignment, promotion and discharge of employees. The present emphasis is on winnowing out workers to secure the most desired work force. Unfortunately for attaining this goal, there are few objective, reliable procedures. Personal prejudices, preferences and hunches as to the human qualities which make for desirable employees are the principal guides, often implemented by testing procedures. Instead of emphasizing discrimination in hiring, a revised personnel philosophy must underscore selective placement and job redesign to fit the applicants for work. Employment policies should be built upon the assumption that full employment must be provided for persons able and available for work. And large employers have to accept, as many contend they do, a cross-section of the workers of the community.²

Physical examinations as prerequisites for employment are discriminatory devices; however, as a placement technique after employment, in the hands of one's own physician, they have considerable value and can be accepted as a source of important information where special problems exist. This view has been enacted into legislation and is commonly held by many trade unionists. The determination of the risks of work must ultimately fall upon the individual worker, although management has the obligation to point them out through qualified medical personnel. Individual physical fitness can be improved through medical care programs.

Occupational aptitude tests, as screening devices, are even less justifiably used than physical examinations. Except where expensive training may be required for specially defined or rare jobs or skills, they should be restricted to cases where selective placement is im-

² See discussion by author in forthcoming volume on "Manpower" published by the Industrial Relations Research Association, entitled, "Job Redesign: A Technique for an Era of Full Employment."

perative. High selectivity in sifting applicants appears peculiarly unsuited to modern industry, where the widest range of qualities can be employed. Actually, aptitude tests are technically inadequate as a procedure for sorting employees. Built as they are on the profile of job qualities of successful current employees, they tend to discriminate against effective employees on similar or identical jobs from other plants with different quality profiles. Moreover, technicians still face many unsolved problems in selecting appropriate personal qualities, aptitudes, skills or interests to be evaluated for specific purposes. As a measuring or job prediction technique, it is insufficient. Where applied, aptitude testing, if used at all, should be used by more highly trained and sophisticated personnel than are commonly assigned to its administration and interpretation by management.

In the field of promotions, employee rating systems have been employed. At best, they are formal procedures for exercising personal judgments on selected attributes according to a predetermined procedure. When associated with wage and salary administration or as guides to promotions, the results tend to be highly affected by their prospective use. The widespread dissatisfaction with the technique in civil service reflects the inadequacies and abuses experienced in actual application. They are properly used only as tools of supervision for aiding individuals in their personal improvement.

Partly because of the great difficulties encountered in securing objective measuring systems and an agreed upon calculus for applying these findings, trade unions have insisted upon approaches such as seniority. It can serve as an adequate gauge for most cases. In some contracts and situations, the parties are able to provide for the special handling of the unusual employee. The fact is that refined evaluations of employees with inadequate measuring techniques are hardly justified for the broad sweeps of jobs in industry, as the differences in productivity among individuals are seldom significant.

The above suggestions for recasting personnel policy seek to prevent unnecessary and arbitrary discrimination and differentiation. The employer, particularly the large one, has a positive responsibility for hiring a cross-section of the community, including such special groups as the handicapped, older persons and other minorities. Where necessary, jobs must be redesigned to allow for their productive employment. Experience with such reengineered jobs for the handicapped confirms the practicability of this program and is encouraging for the current drive to redesign jobs for older workers.

Minority groups can be introduced through careful preparation of present employees. These programs can prevent the creation of a human scrap heap through highly selective personnel programs.

A third area where management attitudes need revision is in the philosophy of communication. When employers' messages are restricted to informing workers of the conditions and rules of employment and instructing them in their duties, they present no challenge. But, as a tool for the indoctrination of employees in business logics and enterprise-consciousness, they are particularly suspect. The number of employers undertaking this assignment is truly large. Impressive increases in budgetary allotments to these activities make them a formidable threat to sound collective bargaining. In their present volume and form of presentation, employer communications are often deliberate efforts to drive a wedge between the enterprise and the union, and therefore, they intensify suspicion and tension. They tend to be looked upon by unions as abuses of economic power to coerce employees into accepting beliefs and attitudes, rather than as a fair promotion of them. As a result, they have provoked a number of union countermoves.

Employers interested in industrial peace have recognized that the normal means of communication in the plant must be available to both institutions if they are to be used at all. Employers' material must avoid unresolved issues, points of difference with the union and the conflicting value systems. They must either be neutral or bipartisan. If they serve only the employer, they will add to the tension.

Trade unions have sought a distinct place for themselves in the employers' line of communication to employees. They believe that, except for cases of specific job instructions of a routine character, they must be the primary channel for relaying information and employer advice. Information on job changes, alterations of methods, layoffs, technological changes, new standards or rules, and other similar phases of employment should be reported to the union through the designated persons, and then formally considered by the union through its administrative procedures. In that manner, the communication can be evaluated and acted upon with the proper degree of worker participation and review. The response is then likely to be frank and well-considered. The workers' suspicions, antagonisms and anxieties will be reflected in the answers, so that they can be dealt with before changes are made. The more frequently and freely this machinery is used, the more satisfaction it can produce.

Once an issue is resolved and an agreement reached, the union serves not only as a means of informing the workers, but also as a vehicle for obtaining their affirmative assent. Through its leadership it creates additional sanction and assures acceptance of an arrangement. The growing practice of printing and distributing union contracts to all employees is illustrative of the increasing value being attached to the communication of agreements to obtain worker approval of job and plant arrangements.

Communication and consultation in a personnel philosophy, built upon the acceptance of collective bargaining and trade unionism, must be conducted largely through the union, rather than as an independent employer activity. Competition for the ear and mind of the workers and of the community must be supplanted by a consultative and cooperative relationship between management and union, which recognizes the existence of separate value systems, concentrates on the accommodation of interests where differences must be reconciled and does not dwell on differences which are not material to the productive and economic process.

A fourth aspect of the program to enforce enterprise-consciousness is represented by the insistence on relating employee benefits to length of service in such a way as to discourage shifts by employees and to reward persons with benefits only if they remain with a plant for the equivalent of a full work-life period.

Differentiated rewards for service, such as higher vacation benefits for persons of long service, are not in this category; they are adjustments in benefits for service.

The most outstanding illustration is the pension, which limits benefits to employees with twenty or twenty-five years of service. It is because unions do not believe such plans provide adequate protection or a fair conversion of deferred wages, and regard them as an improper penalty on employees moving on to other plants and companies, that they have been proposing early vesting of pension rights. With the completion of the funding of a large part of the immediate financial obligations to the current personnel of advanced age and the acceptance of the broader philosophy of personnel practice, this proposal will gain wider acceptance. A significant advance will then be made in removing an important vestige of older practices.

Non-occupational group activities and welfare programs represented a significant portion of personnel work under the older personnel philosophies. They have now declined considerably. Welfare programs are no longer a characteristic of a particular company; they

are the common practice. Most companies and establishments in the same area of industry tend to have similar programs. They are not benefactions of an individual employer, but benefits secured through negotiations in lieu of wage adjustments. Moreover, they supplement benefits provided by public and community agencies. Some programs are jointly administered by the employer and the union. And even where the employer's staff carries the administrative responsibilities, it is done under the surveillance of the union and subject to complaints under the grievance machinery.

Non-occupational group activities flourished and were encouraged in the past in many guises, but even they have become less important. Employers once conceived of their responsibilities as extending to the supervision and financing of workers' social and recreational activities to permit employees of varying levels in the ladder of authority within the organization to mingle with one another with the hope of breaking down job barriers. Competitive games and projects were conceived of as a means of allowing workers to play out their aggressiveness. Special services, such as credit unions, thrift clubs, educational ventures and joint purchasing programs, were all intended to reinforce enterprise identification. The workers' families were initiated to company activities to help them adjust to the institution.

But these activities have lost much of their meaning. Workers seek more of these satisfactions and activities through agencies other than the employer. Even the union's efforts in these areas have had limited success. The American worker, having subordinated his class consciousness and having achieved the status of personal independence through rising income levels, has come to insist upon remaining free from plant pressures in his non-occupational activities. Frequently, the union has served to break down barriers to the realization of this goal through the advocacy of adequate recreational facilities in communities, or better educational programs, or indirect sponsorship of a credit union. However, these have not remained union activities as such.

A number of employers have striven to promote enterprise-consciousness through help to individual workers, on both personal on-the-job and off-the-job problems. They have thereby hoped to promote good personal adjustment and remove the deterrents to optimum worker effectiveness. As for the employer handling of personal on-the-job problems, by such techniques they represent a definite invasion of the area of joint responsibility. The use of

counselors and interviewers and the morale, attitude and opinion surveys are distinctly conceived as substitutes for the workers' own grievance machinery. The union's challenge to the employer is that his first obligation is to encourage the fullest development of the plant's grievance machinery, not merely as a source of complaints on legal violations of contracts, but also as a source of individual complaints on dissatisfactions on the job. The more encouragement it is given to function, the more adequately will it satisfy individual needs and contribute to an adjusted work force. If the employer finds it insufficient at points, it is his responsibility to promote its improvement. By creating a substitute agency, he is challenging the union in an area where it considers itself preeminent and with legal rights, and the course of industrial peace is thereby challenged.

The techniques proposed by psychologists for surveying opinions, attitudes and morale have served to separate rather than bring management and trade unions together. The academicians have thereby allied themselves with the opponents of healthy union-management relations rather than with the promoters of greater understanding. Their social responsibility is to bring opposing groups together and not to help intensify their suspicions.

Some managements have made attempts to provide help to employees in the solution of personal off-the-job problems. During the last war, many such schemes operated. They were most useful, when they were administered by labor-management committees, for then they could command the confidence of the work force and respond to their needs. Without such joint sponsorship, workers are not likely to have confidence in employer counselling services. Discussion of personal problems may endanger a worker's job. The information divulged in the interviews may be of a nature which he does not want to communicate to the employer. Nor can he be sure that the employer's self-interest may not result in a recommendation at variance with his own personal interest, as occurs when the issue involves workmen's compensation or unemployment insurance claims, disability, medical or other insurance benefits.

Some useful services of a limited character have been performed, but these facilities have not grown. In recent years, employers have recognized that the worker would like to handle these troubles in his own way and interest has dwindled.

Trade unions have, in the meantime, developed another approach to off-the-job personal problems. Recognizing that it is not the union's function nor within its competence to offer advice, but

noting that a substantial portion of the community's private services are financed by worker contributions, they have developed an in-plant union counselling service. The union counsellors, specially trained, do not undertake to offer advice on what to do, but merely refer workers to the public or private agencies providing the service to fit the particular need. The presence of unionists on the community chest organizations and on the boards of individual agencies helps assure proper attention to these referrals and competent, independent consideration of personal problems. The private agencies have been slowly converted from philanthropic institutions to service agencies, catering to independent citizens' personal needs for advice, guidance and special financial assistance.

Conclusion

The American trade union movement has responded more truly to the basic forces in our cultural development in matters of personnel and industrial relations philosophy and practice than has management as a group. The latter has generally continued in line with the more autocratic attitudes, made more acceptable to the public and salable to the unsuspecting by the current use of "humanistic" language and the incorporation of a number of psychological techniques aimed at implanting a deep feeling of enterprise-consciousness among employees. This philosophy and the practices and procedures which flow from it are all designed to leave management's position supreme.

Management has shut its eyes to the improvements in the economic status of the American worker. Building on this growing economic well-being and more satisfactory way of living and on the precepts of our general American culture, the worker has become more independent. Outside his work life, he has come to consider himself increasingly more self-reliant. He has subordinated, if not completely rejected, class-consciousness and has also freed himself of much of the influence of the enterprise-consciousness which management has been promoting. He depends not solely or primarily on his employer but upon the trade union movement and an expanding economy to support his ambitions for a rising standard of living and wider personal opportunities. Any major change in the current high order of security and freedom for personal orientation will convert his present attitude into a defensive, aggressive mood, which may well alter his basic economic and political outlook.

Trade unionism and collective bargaining are basic institutions in this new relationship between worker and management. They give him the leverage for assuring the highest possible financial terms, job and economic security and citizenship rights in the plant. The current high rate of job mobility and changes and geographical movement within modern industry provides the individual with many outlets for his personal ambitions.

The logics and objectives of trade unionism must be accepted as companions to those of management in the operation of our business system. To the extent that they are rejected, friction and conflict of a basic social character will continue. Where they are allowed to assume their rightful place, they spell out the subjects for mutual accommodation. When accepted, they can provide the base for long periods of "industrial peace," as defined in the recent studies on this subject. These will be displayed by joint administration of many matters of common interest, long term contracts and other co-operative undertakings. The enterprise employment unit will then represent more nearly what it should be — a tool for the improvement of the general well-being, rather than a vehicle for the enhancement of the economic power of one group over others.

In this evolving era of industrial relations, the older management personnel philosophies must give way. Personnel policy must recognize the coexistence of two independent value systems. One is management's and ownership's tests of performance and the other consists of the objectives of the workers and the trade union.

In reviewing the specific changes demanded in management philosophy, we have noted the following. First, independent trade unionism must be accepted by management. Employers must publicly seek the repeal of the sections of the Taft-Hartley Act which give sanction and equal status to individual bargaining and to employer interference in the realm of worker organization.

Second, management must substitute for its present program of selective hiring a policy of selective placement and job redesign to encourage the employment of a full cross-section of the community's work population.

Third, the union must become the exclusive agency for communication and consultation with employees on matters other than job instruction. Cooperative presentations in areas of mutual concern should supplant partisan efforts to promote exclusive loyalties.

Fourth, benefit programs should be oriented toward improving workers' well-being and not used as techniques for the indoctrination

of enterprise-consciousness. Employees, for example, should begin to enjoy vesting privileges in pension plans after a short period of service.

Fifth, the non-occupational groups designed to develop enterprise-consciousness should be abandoned as this is, more properly, an area for individual planning and choice.

Sixth, personal adjustments on the job should be promoted through joint union-management procedures.

Seventh, the handling of off-the-job personal problems should become the responsibility of competent professional private and public agencies who are prepared to deal with them, rather than the concern of either management or the trade union.

These are a few of the direct requirements for consistent adjustment to the new era of collective bargaining. Management must concentrate on its true function, the economics of enterprise. The union in the United States has the equally important responsibility of helping the individual adjust to and enjoy higher economic returns, security and rights on the job. As an important moral force, it must also join with other groups in promoting community, state and national public activities for the well-being of all groups, of which its own constituency is a major part.

DISCUSSION

NEIL W. CHAMBERLAIN

Yale University

SINCE I HAVE NOT HAD the benefit of prior examination of these two interesting papers, I will simply make a few observations that have occurred to me as I have listened to them along with the rest of you. Mr. Hall's remarks take their departure from his recognition of the importance of the interdependence of the economic agents in our society, and particularly of the interdependence that exists between unions and managements in our industrial enterprises. He recognizes the importance of the continuity of production, which hinges upon this interdependence of unions and managements, and from this springs his realization of the importance of industrial peace. Interdependence, continuity of production, and industrial peace seem to be necessary not only to achieve the objectives which all in our society aspire to but also to realize the objectives which the unions and managements in individual establishments seek to obtain.

Out of this stress by the community at large on continuity of production and industrial peace arises a feeling of social responsibility on the part of management, as Mr. Hall sees it. This social responsibility is something about which we have heard a good deal, and despite the fact that some of us may question what is meant by it under varying circumstances, nevertheless I think that most of us would be prepared to agree that something that goes by the name of social responsibility is indeed a reality and is felt by managements, at least in the large corporations, and is imposed upon them by a public opinion which has at its command sanctions powerful enough to support it, at least in some measure. Out of this general situation, then, flows the personnel philosophy which Mr. Hall has so ably expounded, taking its cue from these aspects of economic interaction and being addressed to the need for satisfying the basic requirements provided by interdependence.

The premisses on which this philosophy is erected I gather that our second speaker, Mr. Barkin, would accept as fact, but he is anxious to avoid any implication that they should be erected into some kind of a controlling creed. He is afraid that such a creed has indeed been created and has given to it a rather catchy phrase, "enterprise consciousness." By enterprise consciousness I take it he means a kind of sacrificial devotion to continuity of production, to the progress of the particular enterprise, to the welfare of something which is larger

than the individual himself. Enterprise consciousness demands that the individual conceive his own interests as being secondary to those of the institution as a whole and be prepared to accept such lesser rewards as may seem necessary to facilitate the operation and the advancement of the institution. He sees this as the same kind of a creed or devotion which a church might seek to inspire in its followers.

This kind of a creed he fears because it and the accompanying psychological and socio-psychological devices which are brought to its support are, in his estimation, tools of manipulation by which workers can be led to accept conditions which run contrary to their own interests. Through this type of manipulative device the corporation may be able to influence its employees and to change or modify their desires and their patterns of behavior in the same way that their advertising departments manipulate the consumer's interests and desires. There perhaps is some basis for Mr. Barkin's fear. It is reasonable to assume, and I suspect Mr. Hall would agree, that some managements do use this kind of enterprise-conscious personnel philosophy as a latter-day and more sophisticated version of the earlier personnel philosophy which preached that if only managements understood the needs and desires of workers, they could obviate the rise of unions which sought to answer such desires and needs. The more sophisticated modern approach might be viewed as one which accepts the union, recognizing that unions are indeed here to stay, but then goes on to adopt a personnel philosophy which it is hoped will reduce them to innocuous appendages of the enterprise itself.

Barkin's response to this kind of a philosophy is one which seeks to do away with management's unilateral control over the personnel policy in all those areas where manipulation is possible and to replace it with joint control over these varied personnel policies. He argues that the determination of personnel policy is something which should not be left to management alone but should be shared in by union and management both. There is a good deal of merit to this position, but I find myself unable to advance the next step and accept his contention that management should in effect accept the unions as the custodians or guardians of personnel policy, relying on the union for its channel of contact with its employees. I gather that Barkin would like to see the unions recognized as the entrance through which management must go in order to approach the workers and that all policies the formulation or effectuation of which require an eliciting or response of worker feeling and sentiment, for example, should funnel

through the union. It seems to me that this provides as ready a device for the union manipulation of personnel policy as Barkin fears present methods or philosophies provide to management.

Finally, although he has subdued this aspect in his remarks, Mr. Barkin has some skepticism concerning the extent to which the goal of Mr. Hall's personnel program — industrial peace to obtain continuity of production — can ever be achieved because of the fundamental scarcity-conflict condition. Wherever there is a limitation upon the revenues to be disbursed, wherever there is a bargain to be made, there is bound to be a conflict engendered by the underlying scarcity condition. This is something which cannot be avoided, regardless of the degree of goodwill and regardless of the excellence of the policies which are adopted. The scarcity element guarantees that no personnel philosophy, whether initiated by management or jointly established, warrants hope of attaining a state of permanent industrial peace. At most it can reduce and channel the conflict.

Part XII

BUSINESS REPORTS

PROGRAM OF SIXTH ANNUAL MEETING

Washington, D. C., December 28-30, 1953

Mayflower Hotel

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MONDAY, DECEMBER 28

10:00 a.m.

HOW TO CURB COMMUNIST INFLUENCE IN INDUSTRIAL RELATIONS

Chairman: Rev. John F. Cronin, S.S., National Catholic Welfare Conference

Paper:

Communism in Trade Unions
Philip Taft, Brown University

Discussion:

Al Epstein, International Association of Machinists, AFL
Thomas Harris, Congress of Industrial Organizations
William Barron, General Electric Company

10:30 a.m.

BEHAVIOR OF WAGES (ASA, AEA, IRRA)

Chairman: Ewan Clague, Bureau of Labor Statistics

Papers:

- (a) *Wages in the United States Since 1914*
Leo Wolman, Columbia University
- (b) *Trends and Cycles in German Wages*
Gerhard Bry, National Bureau of Economic Research
- (c) *Impact of Unions on Internal Wage Structure and Administration*
Harry M. Douty, Bureau of Labor Statistics

Discussion:

Joseph Shister, University of Buffalo
John T. Dunlop, Harvard University

2:00 p.m.

ANNUAL WAGE GUARANTEES: A GROWING PROBLEM IN INDUSTRIAL RELATIONS (IRRA, AEA)

Chairman: A. D. H. Kaplan, Brookings Institution

Papers:

- (a) *Some Problems of Annual Wage Guarantees in Collective Bargaining*

Boris Shiskin, American Federation of Labor

- (b) *Employers' Concern About Annual Wage Guarantees*

Emerson P. Schmidt, Chamber of Commerce of the United States

Discussion:

Philip Booth, Bureau of Employment Security, U. S.

Department of Labor

Philip Arnow, Office of International Affairs, U. S.

Department of Labor

Nat Weinberg, United Automobile Workers, CIO

2:00 p.m.

SUBSTANTIVE PRINCIPLES IN ARBITRATION

Chairman: Edgar L. Warren, University of California

Los Angeles

Papers:

- (a) *The Bethlehem Experience*

Charles C. Killingsworth, Michigan State College

- (b) *Substantive Principles Emerging from Grievance Arbitration*

Julius Manson, New York State Board of Mediation

Discussion:

Aaron Horvitz, Arbitrator, Should Arbitrators Rely on General Principles?

James C. Phelps, Bethlehem Steel Company

Ben Fisher, United Steelworkers of America, CIO

Kirk R. Petshek, Labor Consultant

4:30 p.m.

Film Showing: REPRESSION TO PRIVILEGE (Crucible Steel Company)

7:45 p.m.

SOCIAL SECURITY—A NEW LOOK (IRRA, AEA)

Chairman: Edwin E Witte, University of Wisconsin

Papers:

- (a) *Some Proposals for Improving the Social Security Program*
Hon. Robert W. Kean, United States House of Representatives
- (a) *Some Labor Views on the Social Security Program*
Nelson Cruikshank, American Federation of Labor
- (c) *A Program to Provide Social Security to Everyone*
Glenn Campbell, Chamber of Commerce of the U. S.

Discussion:

J. Douglas Brown, Princeton University
Peter Seitz, Liebmann Breweries, Inc.

TUESDAY, DECEMBER 29

9:30 a.m.

THE FEDERAL GOVERNMENT AS AN EMPLOYER

Chairman: William Y. Elliott, Harvard University

Papers:

- (a) *Personnel Policies in the Public Service*
Hon. Philip Young, Civil Service Commission
- (b) *Protection of Employee Rights*
John Yancy, Government and Civic Employees
Organizing Committee, CIO
- (c) *Problems of an Executive in the Government Service*
John J. Corson, McKinsey & Company

Discussion:

Harlan Cleveland, *The Reporter*
Jerry Kluttz, *The Washington Post*
Vernon D. Northrup, Lester B. Knight Associates

9:30 a.m.

THE MOBILITY OF INDUSTRY AND LABOR IN THE UNITED STATES
(IRRA, AEA, ASA)

Chairman: Arthur Burns, Council of Economic Advisers

Paper:

The Changing Geography of American Industry

Seymour L. Wolfbein, Bureau of Labor Statistics

Discussion:

Manpower Implications, John Hilliard, Office of Defense Mobilization

Labor Market Problems, Meredith Givens, Div. of Employment, New York State Department of Labor

Economic Consequences, Walter Isard, Massachusetts Institute of Technology

Impact on Industrial Relations, L. Reed Tripp, University of Wisconsin

9:30 a.m.

WAGE DETERMINATION IN THE AMERICAN ECONOMY: POTENTIALITIES AND LIMITATIONS IN THE USE OF COLLECTIVE ECONOMIC POWER IN VARYING THE COMPENSATION OF LABOR AND CAPITAL
(AEA, IRRA)

Chairman: John T. Dunlop, Harvard University

Papers:

(a) *Collective Bargaining and Distributive Shares*

Clark Kerr, University of California

(b) *The Incidence of Collective Bargaining*

Martin Bronfenbrenner, University of Wisconsin

(c) *Collective Bargaining and Income Distribution*

Harold M. Levinson, University of Michigan

Discussion:

John P. Troxell, Stanford University

Philip Taft, Brown University

12:00 p.m.

Film Showing: FATE OF A CHILD (U.N.)

THE OTHER PARIS (F.O.A.)

2:00 p.m.

THE LABOR MOVEMENT IN UNDERDEVELOPED AREAS

Chairman: Everett M. Kassalow, Congress of Industrial Organizations

Papers:

- (a) *The Labor Movement in Latin America*
Serafino Romualdi, American Federation of Labor
- (b) *Problems of the Asian Labor Movement*
Jorma Kaukonen, Office of International Labor Affairs,
U. S. Department of Labor
- (c) *International Confederation of Free Trade Unions and the
Development of the Trade Union Movement in Under-
developed Areas of the World*
Victor Reuther, Congress of Industrial Organizations

Discussion:

Oscar Ornati, Cornell University
Phil Sullivan, U. S. Department of State
Arnold Zempel, Office of International Labor Affairs, U. S.
Department of Labor

2:00 p.m.

RESEARCH ON WAGES: ACCOMPLISHMENTS AND NEEDS
(IRRA, AEA)

Chairman: Charles C. Killingsworth, Michigan State College

Papers:

- (a) *Wage Theory*
Lloyd G. Reynolds, Yale University
- (b) *Empirical Wage Research*
Charles A. Myers, Massachusetts Institute of
Technology
- (c) *Sources of Wage Data*
Robert Raimon, Cornell University

Discussion:

Arthur M. Ross, University of California
Richard A. Lester, Princeton University
Harry M. Douty, Bureau of Labor Statistics

2:30 p.m.

ALTERNATIVE POSSIBILITIES OF INFLATIONARY PRESSURES AND HIGHER COST BOTTLENECKS IN AN ECONOMY OF LARGE BARGAINING UNITS AND OF LESS THAN PURE AND PERFECT COMPETITION IN THE MARKETING OF PRODUCTS (AEA, IRRA)

Chairman: J. Douglas Brown, Princeton University

Papers:

(a) *Are Wage-Fixing Arrangements in the American Labor Market Inflationary?*

Sumner H. Slichter, Harvard University

(b) *Variations in the Inflationary Force of Bargaining*

C. L. Christenson, Indiana University

Discussion:

Albert Rees, University of Chicago

Clarence Ayres, University of Texas

Guy E. Noyes, Federal Reserve Board

4:45 p.m.

WHERE IS THE I R R A GOING?—Informal Meeting with Past Presidents

Chairman: Ewan Clague, Bureau of Labor Statistics

Past Presidents:

Edwin E. Witte, University of Wisconsin

Sumner H. Slichter, Harvard University

George W. Taylor, University of Pennsylvania

William M. Leiserson

J. Douglas Brown, Princeton University

8:30 p.m.

Film Showing: SHOP STEWARD (National Film Board of Canada)

9:00 p.m.

SMOKER FOR ALL MEMBERS

WEDNESDAY, DECEMBER 30

9:30 a.m.

THE PLACE OF MEDIATION IN INDUSTRIAL RELATIONS

Chairman: William M. Leiserson

Papers:

- (a) *Some Thoughts on Labor Mediation*
Allen Weisenfeld, New Jersey State Board of Mediation
- (b) *The Federal Mediation Program*
Whitley P. McCoy, Federal Mediation and Conciliation
Service
- (c) *Voluntary Mediation*
Saul Wallen, Arbitrator

Discussion:

Edgar L. Warren, University of California, Los Angeles
Julius J. Manson, New York State Board of Mediation

9:30 a.m.

MANAGEMENT PERSONNEL PHILOSOPHY AND ACTIVITIES

Chairman: Vincent P. Ahearn, National Sand and Gravel
Association

Papers:

- (a) *A Personnel Philosophy for Management*
Hiram S. Hall, Wallace Clark and Company
- (b) *A Trade Unionist's Appraisal of Personnel Policy*
Solomon Barkin, Textile Workers Union of America

Discussion:

Harry Alpert, National Science Foundation
Neil Chamberlain, Yale University

9:30 a.m.

REGIONAL WAGE DIFFERENTIALS IN AN ECONOMY OF LARGE BARGAIN-
ING UNITS AND LESS THAN PURE AND PERFECT COMPETITION IN THE
MARKETING OF PRODUCTS

Chairman: H. Gordon Hayes, Tulane University

Papers :

(a) *Interregional Competition*

Seymour E. Harris, Harvard University

(b) *Geographical Wage Differentials and the Public Interest*

John V. Van Sickle, Wabash College

Discussion :

Walter Isard, Massachusetts Institute of Technology

J. Fred Holly, University of Tennessee

Ben A. Rogge, Wabash College

12:15 p.m.

LUNCHEON : PRESIDENTIAL ADDRESS AND BUSINESS MEETING

Chairman : Clark Kerr, University of California

Address :

Government and Industrial Relations in a Free Economy

Ewan Clague, Bureau of Labor Statistics

EXECUTIVE BOARD MEETING

Pittsburgh, Pennsylvania, April 24, 1953

The meeting was called to order by President Clague. Present were: Bitters, Brown, Clague, Fleming, Lester, McConnell, Roberts, Ross, Tripp, and Wolfson.

The minutes of the December, 1952, Executive Board meetings were approved in the form in which they had been printed and distributed to the members.

The financial and membership reports distributed by the Secretary-Treasurer were approved for the record.

Chairman Richard Lester made the following report on behalf of the Nominating Committee:

For President: Clark Kerr.

For the Board: Carroll Daugherty, Frank Pierson, Joseph Tiffin, Carroll Shartle, Sylvester Garrett, David Cole, Gus Peck, E. J. Eberling, Stanley Ruttenberg, Eugene Forsey, Peter Seitz, Mathew Kelly.

The above slate was approved subject to ratification by the full Board.

President Clague discussed some of the problems in connection with the Annual Meeting. He indicated that Kirk Petshek and Irving I. Raines would act as Chairman and Assistant Chairman of the Local Arrangements Committee. The local Washington, D. C. chapter members have also agreed to help out on the program. One special session for younger members is being planned to take place before the Smoker. With respect to the individual sessions the Program Committee is considering one session at which the papers would be sent out in advance and the participants asked to start the discussion on the basis of having read one another's papers. Another idea for a session was to have a panel discussion based upon a preliminary meeting of the panel at which they would have "hashed over" the subject in advance. A third proposal was that a foreign labor session be held in which the foreign labor attachés in Washington would be asked to participate and give their impressions in view of their American experiences.

With respect to the publications, the Board agreed that the contract with Harper and Company be approved for publishing the special "Manpower" volume and that the volume be held within a total length of 75,000 words.

With respect to the 1954 special volume on which Douglass V. Brown will be the chairman of the Editorial Board, the President and

Secretary-Treasurer were authorized to expend up to but not more than a total of \$200 to cover expenses of the Editorial Board.

The question of what, if anything, should be done by IRRA with respect to publication of the survey of research formerly published by the Social Science Research Council was referred to the Research Committee for recommendation.

President Clague drew attention to the request of the American Political Science Association, transmitted through Avery Leiserson, that the IRRA Board name three individuals to work with the APSA on research. Specifically, the three would work jointly with APSA's Committee on Government and Labor Relations in preparing a list of research topics. It was decided that President Clague should notify Avery Leiserson that Chairman Charles Killingsworth of the IRRA Research Committee would name three of his present committee members to work with the APSA.

A number of research topics, prepared by Professor John Spielmans, were referred to the Research Committee.

In discussing the Spring Meeting in Columbus, Ohio in 1954, a question was raised as to whether a special meeting should not be held on the West Coast. Board member Arthur Ross was asked to explore this possibility and report at an early Board meeting.

The special expenditures in connection with the current spring meeting for which commitments had to be made by the Secretary-Treasurer on an emergency basis were authorized and approved.

President Clague raised the question of a policy with respect to the use of the Association's mailing list. After some discussion it was agreed that the mailing list should be made available at the usual charge where the subject matter of the material to be distributed was germane to the industrial relations field. Where a germane, but controversial, question was involved, and one party to the controversy sought permission to use the Association's mailing list, permission should be granted but the other party notified of the action and told that the Association's mailing list would be available for other material on the same terms.

Secretary-Treasurer Fleming indicated that he wished to resign at the end of the present calendar year. He pointed out that this would fulfill his three-year term as provided in the constitution. Since there was not time to discuss the matter further he stated that he would write the President and the Board a letter expressing his desire to resign and making suggestions for a successor.

The meeting was adjourned at 6:00 p. m.

EXECUTIVE BOARD MEETING

Washington, D. C., December 28, 1953

The meeting was called to order by President Clague at 4:00 p. m. Present were: Bakke, Bradley, Brooks, J. D. Brown, Clague, Fleming, Kerr, Myers, Palmer, Ross, Seitz, Tripp, Wolfson, and Young.

The minutes of the last meeting, held in Pittsburgh on April 24, 1953, were approved as read.

Secretary-Treasurer Fleming reported, on behalf of the Elections Committee, that the following persons had been elected to office:

President: Clark Kerr.

Executive Board Members: David Cole, Carroll Daugherty, Gustav Peck, Stanley Ruttenberg, Peter Seitz, Joseph Tiffin.

The latest membership report was distributed. It showed that the total membership had declined for the first time. Total paid members for 1953 were 1754, while in 1952 the figure was 1768. The Secretary indicated that this difference was so small that it was likely it could be accounted for by a difference in how many new members, joining in recent weeks, were credited to the present membership. However, he thought it did indicate that the total membership in the organization might be stabilizing. By way of some comparisons with the past year, he noted that there were fewer new members this year—247 as against 396 a year ago—but more old members renewed—1507 as against 1372. Finally, it was pointed out that 261 members had not renewed in the past year and that in the previous year the figure was 258. The Board members asked that an attempt be made to analyze the cards of those who did not renew to see whether there seemed to be any common reason. It was agreed that the Secretary would undertake such an analysis.

Copies of the annual financial report were distributed, and the annual auditor's report, stating that the Association's finances were in order, was brought to the attention of the Board. It was noted that the financial condition of the Association was the best it had ever been.

President Clague raised a question as to the use of the Association's mailing list in view of the fact that it was possible for those who asked to use the list to copy the names from the envelopes which were addressed for them. After some discussion it was agreed that the Association henceforth would ask that any users sign a form statement agreeing not to copy the names and addresses from the envelopes.

Irving Bernstein, who had been designated as editor-in-chief of the special volume on Emergency Disputes, presented an outline of the proposed volume for discussion. Various comments and suggestions were made and it was agreed that there should be two other members of the editorial board to be suggested by the editor-in-chief and approved by the President and the Association's Editor.

An expenditure of \$500 was authorized for expenses in connection with the above volume.

Alma Herbst, chairman of the spring program committee, presented an outline of the proposed program for discussion. A number of suggestions were made and it was agreed that the program would be discussed further at the following session of the Board.

The resignation of Secretary-Treasurer Fleming was accepted, and the appointment of Edwin Young as his successor was announced. A resolution expressing appreciation for Mr. Fleming's services was passed unanimously.

ANNUAL MEMBERSHIP BUSINESS MEETING

December 30, 1953

The annual membership business meeting was held following a luncheon at the Mayflower Hotel in Washington, D. C., on December 30, 1953. President Ewan Clague presided. The meeting was attended by approximately 125 members.

Secretary-Treasurer Fleming gave a report on the status of the Association's membership and finances. (Details are contained at the end of this volume.)

It was announced that the Manpower Volume would be released in the spring of 1954, a new Directory published in the late fall of 1954, and a special volume on Emergency Disputes in the fall of 1955.

Plans were announced for future conferences including the spring meeting in Columbus, Ohio, April 23 and 24, 1954; the annual meeting in Detroit during the Christmas holidays in 1954; special joint meetings with the Psychologists and Political Scientists on dates to be announced later; and the spring meeting for 1955 in Philadelphia.

The results of the annual election of officers were announced. Clark Kerr was elected president, and the following were elected to membership on the Executive Board: David Cole, Carroll Daugherty, Gustav Peck, Stanley Ruttenberg, Peter Seitz, and Joseph Tiffin.

President Clague presented the new president, Clark Kerr, who made some brief remarks on the work of the Association.

The members then heard the presidential address of Ewan Clague on the subject of "Government and Industrial Relations in a Free Economy." A full text of this address is presented in the front of this volume.

EXECUTIVE BOARD MEETING

Washington, D. C., December 30, 1953

President Clague called the meeting to order at 9:00 a. m. Present were: Brooks, Clague, Fleming, Kerr, Myers, Palmer, Ross, Seitz, Tripp, Wolfson, and Young.

The discussion of the spring program, under the chairmanship of Alma Herbst, was continued, and general agreement on the outline of the program was reached.

Charles Killingsworth, as chairman of the Research Committee, presented the proposals of his committee for special volume topics along with suggestions for editorial board members. Possible subjects for a volume which were suggested included: labor mobility in local labor markets, a survey of the status of research in the field of human relations, and the guaranteed annual wage. After an extended discussion, tentative agreement was reached on devoting a volume to human relations, with special attention to the appropriate areas of managerial concern.

The Board asked President Clague to draw an appropriate letter of thanks to the local arrangements committee and transmit this to them through the local IRRA chapter. Kirk Petshek was particularly designated as having given an immense amount of time and energy to the arrangements.

The meeting was adjourned at 10:00 a. m., and a new meeting, under the chairmanship of the newly-elected President, Clark Kerr, was immediately convened.

President Kerr announced that Arthur Ross had agreed to serve as Vice-Chairman of the 1954 Program Committee, and that Ed Cushman would serve as local arrangements chairman.

The Board then designated the following members of a Nominating Committee to report at the Spring meeting: Charles Killingsworth

(Chairman), Albert Epstein, Murray Edelman, Curt Gallenbeck, Louis Levine, Carroll Shartle, and Harold Sheppard.

President Kerr suggested that the Teaching Committee be abolished and that Harold Davey be asked to serve as Chairman of a Research-Teaching Committee, and also that Sylvester Garrett be asked to serve as Counsel to the Association. These appointments were approved.

Philadelphia was selected as the site of the 1955 spring meeting, and it was agreed that Lewis M. Gill and Frank Pierson would be asked to serve as co-chairmen of the program committee.

Board members Avery Leiserson and Joseph Tiffin were designated to approach the Political Science Association and the Psychology Association, respectively, with regard to possible joint programs at their annual meeting during the coming year.

In view of the delay in publishing the present Manpower volume, it was agreed that the next special volume on Emergency Disputes would be held until the fall of 1955 and that a new Membership Directory would be published during the calendar year 1954.

It was agreed that it would be desirable to continue to publish the special volume with a commercial publisher if the latter was agreeable.

With respect to the work of the Placement Office at the annual meeting, it was agreed that the Washington group would continue gathering material for this service until the spring meeting, and that a Detroit committee would be designated to carry it on at the next annual meeting.

There being no further business, the meeting adjourned at 12:00 noon.

KELLOGG, HOUGHTON AND TAPLICK

CERTIFIED PUBLIC ACCOUNTANTS

Fred C. Kellogg, C.P.A.
Vernon F. Houghton, C.P.A.
Robert W. Taplick, C.P.A.

Insurance Building
Madison 3, Wisconsin

December 10, 1953

Executive Board
Industrial Relations Research Association
Madison, Wisconsin

Dear Sirs :

As requested we have audited the records of cash receipts and disbursements of the Industrial Relations Research Association for the fiscal year ended November 30, 1953.

Cash receipts from member dues and other sources were test-checked into the records. Cancelled checks and expense vouchers on file were examined in support of cash disbursements. The cash balance November 30, 1953 as shown by the books was reconciled with the amount as certified directly to us by the bank. Minutes of meetings held by the Association during the past fiscal year were examined for information relating to this report. Adjusting entries, necessary to bring your records into agreement with this report, have been submitted to your bookkeeper.

Cash receipts for the year ending December 31, 1948 were \$5,691.00 and cash receipts for the fiscal year ending November 30, 1953 were \$13,968.31. This represents an increase in receipts of approximately 245% in five years with a corresponding increase in association memberships. In view of these changes we suggest a more complete and adequate set of records be maintained by the Association. Adequate records would provide a permanent record of members for historical purposes and also increase control over accounting transactions.

In our opinion the statement of cash receipts and disbursements attached to and forming a part of this report correctly reflects the cash transactions of the Association as recorded for the fiscal year ended November 30, 1953.

Respectfully submitted,

KELLOGG, HOUGHTON & TAPLICK
Certified Public Accountants

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
MADISON, WISCONSIN

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Fiscal Year Ended November 30, 1953

Cash Receipts

Member dues and contributions.....	\$10,510.06	
Subscriptions.....	574.00	
Other.....	2,884.25	
	<hr/>	
Total Receipts.....		\$13,968.31

Cash Disbursements

Secretarial Salaries.....	\$ 2,439.53	
Withholding Taxes.....	440.94	
Printing.....	427.43	
Postage.....	1,109.52	
Other Personal Services.....	417.80	
Publications.....	4,932.74	
Supplies and Equipment.....	73.00	
Miscellaneous.....	918.10	
	<hr/>	
Total Disbursements.....		10,759.06
		<hr/>
Excess of Receipts over Disbursements.....		\$ 3,209.25
Cash Balance, December 1, 1952.....		7,768.11
		<hr/>
Cash Balance, November 30, 1953.....		\$10,977.36

OFFICERS AND COMMITTEE CHAIRMEN FOR 1954

President: Clark Kerr

Executive Board: George Brooks
Ewan Clague
David L. Cole
Carroll R. Daugherty
Robert Dubin
Avery Leiserson
John McConnell
Charles Myers
Gladys Palmer
Gustav Peck
Arthur Ross
Stanley Ruttenberg
Peter Seitz
Joseph Tiffin
James Worthy

Editor: L. Reed Tripp

Counsel: Sylvester Garrett

Secretary-Treasurer: Edwin Young

COMMITTEE CHAIRMEN

NOMINATING COMMITTEE:

Charles C. Killingsworth

ELECTIONS:

Edwin Young

COMMITTEE ON RESEARCH:

Harold Davey

LOCAL ARRANGEMENTS:

Edward Cushman

PROGRAM FOR 1954:

Clark Kerr

ACTIVITIES FOR 1954

Meetings:

1. April 23-24—Deshler-Hilton Hotel, Columbus, Ohio. A series of discussions on current research and special research problems in university, management and labor areas, as well as one or two meetings on other problems of current interest.

2. From time to time we will notify our membership of meetings of related associations in which our members may be interested or in whose programs our members are taking part.

3. December 27-28—The Leland Hotel, Detroit, Michigan. Seventh Annual Meeting.

Publications:

1. Proceedings of 1953 Annual Meeting in Washington, D. C.

2. Special volume on "Manpower in the United States." Editorial Board: Prof. Frederick H. Harbison, Executive Officer, Industrial Relations Center, University of Chicago; William Haber, Professor of Economics, University of Michigan; Lawrence R. Klein, Editor, *Monthly Labor Review*; Gladys L. Palmer, Research Associate, Industrial Research Department, University of Pennsylvania.

3. Membership Directory.

I.R.R.A.

6th

ANNUAL PROCEEDINGS

1953

Reprint