

Reprint

**INDUSTRIAL  
RELATIONS  
RESEARCH  
ASSOCIATION**

9th  
**PAPERS PRESENTED AT  
CLEVELAND, OHIO**

**December 28 and 29, 1956**

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



# PROCEEDINGS OF THE NINTH ANNUAL MEETING

INDUSTRIAL RELATIONS  
RESEARCH ASSOCIATION

CLEVELAND, OHIO

DECEMBER 28 and 29, 1956

EDITED BY L. REED TRIPP

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## PREFACE

The Industrial Relations Research Association presents in this volume its Ninth Annual Proceedings, being papers presented at its meetings held December 28-29, 1956 at Cleveland, Ohio. The papers continue the interdisciplinary nature of the research focus of Association interests, including as in the past, contributions from management and union research workers in the field as well as from academicians. A glance at the Table of Contents will show the number and variety of current policy problems pointed up in these approaches.

Changes from the program of the meetings due to non-appearances or non-delivery of manuscripts this year were very slight. The Editor wants to take this occasion on behalf of the Association to thank participants for their excellent cooperation in preparing the materials for publication.

As in previous years, the business reports of the Association and local chapter notes comprise separate sections of the Proceedings. It is believed that the entire volume will be of interest, not only to Association members, but to all of those who seek to keep abreast of research developments in the growing field of industrial relations.

L. REED TRIPP, *Editor*





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## **Part I**

# **PRESIDENTIAL ADDRESS**

# PROGRESS IN INDUSTRIAL RELATIONS RESEARCH AND POLICY

RICHARD A. LESTER

*Princeton University*

A PRESIDENTIAL ADDRESS before a learned society provides the lowly professor with an unparalleled opportunity to pontificate, free from fear of immediate demolition by competitors euphemistically called "discussants." I plan to take advantage of my unique opportunity.

In industrial relations a close connection exists between research and policy. It is therefore fitting that the temporary president of this Association present his views on both. In this respect at least, my remarks will be proper.

First I shall note the great progress that we have made, and the challenging opportunities that we face, in the field of research. In that connection, I shall make a plea for more reflection and less concentration on fact-gathering alone—at least among my fellow academicians—and I shall stress the evolutionary aspects of our subject. With respect to policy, I shall also emphasize change—the remarkable developments that have made us pioneers and leaders in many of the applied aspects of industrial relations. However, as I shall point out, we have at the same time been surprisingly backward in some areas of public policy. In enacting and revising labor relations legislation, for example, Federal and State administrations have failed to employ either the results of research or the expert knowledge of students of the subject. In those respects, we compare unfavorably with countries like England and Sweden, which devote to the study of industrial relations no more than a tenth of the academic resources occupied in such research in this country.

## RESEARCH: NEGLECTED AREAS AND THE EVOLUTIONARY APPROACH

Since World War II, great advances have been made in research in industrial relations in this country. The progress we have already achieved is evident from a comparison over the past three or four years of the proceedings of our 9-year Association or of the *Industrial and Labor Relations Review* with, say, the 71-year-old American Economic Association's proceedings and the *American Economic Review*. Notice that I pass no judgment on this year's meetings, but

I will say that in trying to work out a program I was impressed with the wealth of talent and the range of research interests within the membership of this Association. Impressive also are the increasing research staffs and activities of unions and companies. In this respect, we are far ahead of other countries, and I have been pleased to hear that some companies are planning further expansion of research, especially basic investigations, in our field. Research in industrial relations in America is rapidly coming of age.

In view of these developments, I wish to mention some subject areas that seem to have been somewhat neglected and to make a plea for the broad-gauge, more reflective—even philosophical—type of product.

With respect to neglected subject areas, surely it is surprising that so little careful investigation has been made by academicians of the effects of different kinds of labor legislation—minimum wages, workmen's compensation, unemployment compensation, Taft-Hartley, or state labor relations laws. Scarcely any systematic study, for example, has been made of the effects of various state labor laws on interstate competition and industrial location, and the social insurance field is certainly a relatively underdeveloped one, generally speaking, in our universities and colleges. I hope the comparative neglect of such labor legislation in academic research programs does not arise from a hesitancy to investigate controversial political issues.

The longer I live, the more impressed I am with the importance of perspectives in research in industrial relations. Too often we tend to take the present for granted and as fixed. Detailed studies, without the benefit of an understanding of historical development or differences from other countries or cultures, may be too dated and too myopic to be of enduring value. We need more comparative studies to bring out how different we are from other nations, say, in our employment and bargaining practices, and we need more careful historical studies of how we have come to our present situation and the implications of past evolution for future developments.

It is the absence of perspectives that opens so much of our current research to the charge of fact-grubbing or "projectitis," as some have called this type of occupational disease. What is meant is the stress placed on narrowly-defined empirical studies at the expense of broadly conceived and boldly imaginative work. In academic circles in the past few years, too much emphasis seems to have been put on the accumulation of facts that may soon be out-of-date, on quantification by almost any means, and on the use of "scientific" techniques

to the discouragement of more general, insightful study. We badly need more work on such subjects as theories of the labor movement, theories of management, theories of the evolution of union-management relations, philosophies of social insurance, and the forecasting of short- and long-run developments in various areas of our field. We need more resources devoted to taking separate pieces of research and putting them together to bring out their broader meanings and implications.

Isn't it shocking that, in a country with all the resources we devote to management and its analysis, the leading philosopher of capitalism and its evolution should still be the late Joseph Schumpeter, who developed his ideas while a young man in Europe where he lived the first 50 years of his life?

Books like Schumpeter's on capitalism and socialism, Keynes' *General Theory*, or Perlman's *Theory of the Labor Movement*, could hardly be classified as "research projects" as that term is currently employed. Indeed, if a prospectus of one of them had been presented to a foundation, probably the proposal would have been rejected as not meeting scholarly requirements for "scientific work," and, on somewhat similar grounds, a research center might well have hesitated to sponsor any one of them. Moreover, can you conceive of the finished manuscript surviving the gauntlet of committee approval without debilitating revision? Yet it is such general theoretical work in industrial relations that needs emphasis now.

It is well to remind ourselves that the purpose of research is new discovery as well as hypothesis-testing. A good part of the business of scholarship is innovation, and that is particularly true in a world of rapid change.

One of the challenging tasks of the next decade for students of industrial relations is to rethink both theories and policies from an evolutionary viewpoint. Heretofore our approach has been too much in terms of static theory and universal generalization—such as a universal theory of wage determination, a universal theory of bargaining, or a universal theory of the firm, each presumed to be equally applicable to all kinds of employers, labor, and unions in all kinds of localities and countries. But change is the essence of industrial life, and that has been particularly true of industrial relations, where the past two decades have witnessed remarkable alterations in management philosophy and policies, in the labor movement and within unions, in labor legislation and government policies, and in our views and expectations about collective bargaining. Little progress can be



made in attempting short- and long-run predictions of developments in the industrial relations field without some historically-based theories about the evolution of unions, managements, union-management relations, wage structures and fringe benefits, and other institutional aspects of our subject. One reason for devoting, in this year's meetings, a session to changes within organized labor and another session to changes in management's philosophy of industrial relations is to illustrate the significant and underlying developments that have occurred during the past two decades and to encourage speculation concerning the implications they have for the future.

Of course, general interpretations and theories must rest on the time-bound results of special investigations. And quantification of change is desirable, wherever possible. But we should not fail to recognize the significant role that evolutionary change plays just because we must deal with it primarily in qualitative terms. Surely the industrial relations environment now in this country is, in many important respects, different from that of 1856, 1906, or even 1936. Certainly, industrial-relationswise, the dominant firm in the United States is markedly different from the dominant firm in England or in India. Such significant developments and differences cannot be neglected by wage theory or the theory of the firm. That is the conclusion of Martin Bronfenbrenner in his recent pioneering article on "Potential Monopsony in Labor Markets"<sup>1</sup> and in the volume just being published on *New Concepts in Wage Determination*, edited by George Taylor and Frank Pierson. To cite but a single development, think how automation, under which employees operate as a team, renders invalid the classical marginalist notion that the work result of each employee can be isolated and that hiring occurs by the "dosing" method. Part of the task of industrial relations research is to overcome intellectual obsolescence.

During the past 50 years, the whole employment relationship has been evolving into something radically different. The concept of a labor market, which has value as a tool of analysis for the eighteenth century and also for many countries today, is misleading and ill-suited for much of large- and medium-scale industry in the United States. Employment has changed from a commodity notion to a humanized relationship, with tenure and promotion rights, with a wide variety of benefits that extend beyond the individual employee to members of his family, and, under negotiated pension plans, extend

<sup>1</sup> *Industrial and Labor Relations Review*, IX (July, 1956), pp. 577-588.

beyond the employee's retirement and may even involve improvement in his retirement "pay" long after his retirement through negotiations that result in an increase in the firm's benefits for retirees. In other words, employment in much of American industry is no longer a short-term transaction but a multi-dimensional, long-run relationship that stretches far beyond price into attachments and obligations the employer has to the employee's dependents and to the employee after he has ceased employment. Think what such evolutionary and revolutionary changes in the concept of employment imply for wage theory, for the theory of the firm, and for theorizing about labor mobility and company adjustment!

Living in a period of rapid and far-reaching change we are challenged to stretch our minds, to construct new frameworks and not just ride along in old mental ruts that lead further and further from reality. So much progress has been achieved in industrial relations in recent years in good part because we have refused to be cramped by the traditional brand of economic theorizing, which is "elegant," "rigorous," and increasingly irrelevant. Work in the field has been enriched by contributions from sociology, political science, psychology, history, and law.

All of these disciplines can contribute to the kind of long-run theories that now are so necessary if we are to push forward the frontier of understanding and prediction. Each can provide insights into such matters as the evolution of organizational life in various cultural settings, the development of institutional relationships in our type of society, the changing role of group conflict in America, and the pattern of growth of governmental controls in industrial relations. Certainly it is difficult to work out systematic theories of broad scope and with time an important element. Sifting and weighting the large number of significant variables alone seems a stupendous task. But the gains from such ventures, just in terms of perspective and the discovery of neglected relationships and new insights, would warrant the use of a significant part of our research resources in such evolutionary, economic socio-historical study. Here we have almost a whole new world to conquer, and we should find aid and comfort from the economists who are swarming into the subject of "economic growth" and "economic development."

#### POLICY: INNOVATIONS AND LEGISLATION

In our field of industrial relations, this country has led the rest of the world in terms of practical application as well as in research.

During the past two or three decades, we have had a high rate of experimentation, resulting in many new ventures and advances. Our rapid rate of innovation has attracted attention abroad so that, increasingly, management and unions in other nations have come to look to us for new ideas and new developments in collective bargaining, in management techniques and policies, and in union activities and programs. The dynamic character of our industrial relations is evident when one thinks of developments in such areas as seniority, union security, fringe benefits, grievance procedures, arbitration, automatic wage increases, and long-term agreements.

With respect to management and personnel administration, we have pioneered in scientific management, in human relations, in all kinds of company programs for employee welfare, and in the organization and administration of industrial relations departments. However, as I have already observed, we are short on philosophers of management, perhaps because industrial relations departments have been so preoccupied with techniques and with adjustments to the innovating efforts of unions.

Our unions have not only used collective bargaining for pioneering purposes but their independent political activities are gaining attention abroad where union affiliations to labor parties are undergoing some strain. Attention is also being given to the role of interunion competition and rivalry in this country as an innovating and dynamic factor in industrial relations. And finally, increasing union troubles in some European countries as a consequence of the narrowing of skilled-unskilled wage differentials have aroused interest in union conditions and views here that support the maintenance of differentials in occupational wage structures and in worker benefits. In my judgment, our occupational wage and benefit differentials are a remarkable achievement, whose value is more fully appreciated after a study of the difficulties abroad, or, in the absence of that, some experience with our railroad industry.

During the post-war period, there has been increasing evidence of a "maturing" in our industrial relations and in unions and management. The rate of innovation may be declining as unions settle down, as union rivalry decreases, and as many of the issues dividing management and unions are compromised and eliminated from the "core of conflict." Even the issue of interstate competition in terms of low labor and benefit standards has partly been removed by national company agreements that include benefit programs which provide for equalizing supplemental benefits and thus tend to

eliminate unemployment compensation and workmen's compensation as locational factors. In fact, as Kornhauser, Mayer, and Sheppard explain in their new volume on *When Labor Votes*, a significant part of the conflict of interests now is in the political sphere.

It is in the realm of public policy that the results of industrial relations research seem to have had the least influence and that disregard of research findings has resulted in the greatest gap between knowledge and its application. It is shocking that in recent years so little use has been made of experts or their studies in considering new legislation—whether amendment of Taft-Hartley, state labor relations and right-to-work laws, or minimum-wage legislation. I have already explained that many more studies are needed in these areas, but it is most discouraging to find that those which have been made and would be helpful are apparently neglected when proposals are formulated on such matters as strike votes or the handling of emergency disputes. Instead, politicians, from President Eisenhower to state legislators, have become captives of past ill-conceived proposals and stubbornly persist, year after year, in propounding and compounding error. And in the Congressional Hearings, such labor legislation is discussed and considered practically without the benefit of the testimony of academic experts.

In these respects this country is now a backward nation—much more backward than we were forty years ago when the Commission on Industrial Relations, which included John R. Commons as one of its nine members, drew on reports by such men as George E. Barnett, William M. Leiserson, Robert F. Hoxie, David A. McCabe, Leo Wolman, Edwin E. Witte, Selig Perlman, and Sumner Slichter. The distinguished commission, composed of elected officials as well as experts and partisan members, has been used with great effectiveness in countries like England and Sweden, and has been successfully employed in connection with revision of our Federal social security legislation, not to mention the Slichter Commission in Massachusetts in 1947.

In view of the rapid change in our industrial relations during the past two decades and the increasing maturity of unions and managements, a thorough examination of our labor relations legislation by a distinguished commission is overdue. Obviously parts of our present labor-relations legislation are obsolete or ill-adapted to present and prospective conditions. With the richness of research resources in the field, we ought to be able to forestall more of the ill-advised and

patchwork proposals that have plagued us in the recent past. It is noteworthy that the Twentieth Century Fund and like "promoters of public enlightenment" have avoided the whole area of Taft-Hartley and state labor relations legislation. Consequently, in place of scholarly reports or objective studies we have had partisan propaganda and political obfuscation. It is high time we had some systematic investigation and objective analysis.

To sum up, the opportunities for industrial relations research are challenging and the prospects for further progress appear bright indeed. Without doubt we may expect that research results in our field will find ever widening usefulness. That certainly will be true if we can uncover additional common threads to tie the pieces together into a more complete structure and if the time lag between discovery and application can be shortened, particularly in Washington and the State capitols.



## **Part II**

# **UNDERLYING CHANGES WITHIN THE AMERICAN LABOR MOVEMENT**

# STRUCTURAL CHANGES IN THE AMERICAN LABOR MOVEMENT AND INDUSTRIAL RELATIONS SYSTEM

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THE AFL-CIO MERGER is a good vantage point from which to survey major developments of the past generation in the American labor movement and in our collective bargaining system.<sup>1</sup> In what respects have long established characteristics been continued, and what new tendencies have arisen since the 1920's? What have been the principal changes in labor organizations, in managements and in their interactions in our collective bargaining system?

## I. UNION STRUCTURE AND GOVERNMENT

Changes in union structure and government have in the past provided an outward indicator of the inward pressures created by changes in environments:<sup>2</sup> in product and labor markets and in the larger community. Issues of internal government have been focal points of debate and conflict within the labor movement reflecting these shifting external pressures.

The traditional AFL structure, given decisive form by the conflict with the Knights of Labor, was based upon two principles in the relations of the national unions and the federation: exclusive jurisdiction and autonomy. In introducing the majority report of the Resolutions Committee in the 1935 Convention, John Frey stated these principles as follows:

"This contract [between the Federation and an international union] called for loyalty to the purposes of the American Federation of Labor. In return the National and International Unions were guaranteed two specific things: first, jurisdic-

<sup>1</sup> Sumner H. Slichter, "The American System of Industrial Relations," *Arbitration Today, Proceedings of the Eighth Annual Meeting, National Academy of Arbitrators*, Boston, Massachusetts, January 27 and 28, 1955, (BNA Inc., Washington, D. C., 1955), p. 168. For a discussion of the meaning of "collective bargaining systems," see unpublished paper "Systems of Management-Employee Relations and Economic Development," 12th annual conference on Industrial Relations Research, University of Minnesota, May 25-26, 1956.

<sup>2</sup> Lloyd Ulman, *The Rise of the National Union* (Cambridge, Massachusetts, Harvard University Press, 1955), p. 569.



tion over all workmen doing the work of the specific craft or occupation covered by the organization; secondly, guaranteeing to the National or International Unions complete autonomy over all its internal affairs.”<sup>3</sup>

While these principles have been said to be basic to the merged federation,<sup>4</sup> there has been a substantial transformation in their meaning and application. Union government has been more drastically reconstructed in the twenty years 1935-55 than in any other period since the AFL first took form.

Developments affecting union structure and government will be examined under four headings: (1) the policy toward competition within the labor movement, the reappraisal of the exclusive jurisdiction doctrine; (2) the occupational scope or the form of organization, the craft-industrial range of questions; (3) the relations between the confederation level or trade union center (AFL and CIO) and the constituent national unions, the reappraisal of the autonomy doctrine, and (4) the relations within the national unions among the national office, the subordinate local and regional bodies and the membership.

(1) *Exclusive Jurisdiction*

The doctrine of exclusive jurisdiction provided that each affiliated national union should have a clear and specified job territory and boundary ordinarily defined in terms of work operations, crafts, trades, occupations or industrial grouping of jobs, and occasionally defined in terms of geography.<sup>5</sup> Jurisdiction was exclusive in the sense that no two national unions were to have jurisdiction over the same work operations. In this way conflict and competition within the labor movement was supposed to be constrained; each national union was to keep within its jurisdiction and not poach or trespass on the jurisdiction of another union.

Under the logic of exclusive jurisdiction, the AFL by establishing jurisdictional lines also determined the union the individual employee should join. The worker with a job had no direct influence nor

<sup>3</sup> *Report of the Proceedings of the Fifty-fifth Annual Convention of the American Federation of Labor*, 1935, p. 522. See, Article II, Section 3 and Article IX, Section 11 of the 1935 constitution for the constitutional statement of these principles. Also see, Sumner H. Slichter, *The Challenge of Industrial Relations* (Ithaca, Cornell University Press, 1947), pp. 8-14.

<sup>4</sup> Arthur J. Goldberg, *AFL-CIO Labor United* (McGraw-Hill Book Company, Inc., 1956), pp. 142-45.

<sup>5</sup> Jurisdiction was defined in charters, certificates of affiliation, decisions of the AFL conventions or Executive Council, formal agreements, exchanges of letters and informal understandings between the unions, or the decisions of specialized tribunals.

expressed any preference in the selection of a particular union. The employer likewise was to deal with the union with exclusive jurisdiction. The government had no role in matching unions and workers or unions and employers. The assignment of jurisdiction and the regulation of competition was supposed to be the exclusive concern of the American Federation of Labor.

The system of exclusive jurisdiction required procedures and machinery to make decisions and to enforce them. The Executive Council and the convention was the machinery of last resort. The ultimate use of expulsion of a national union, particularly if a large union, was shown by experience to be both a poor method of enforcement and seldom to contribute to the settlement of the dispute over jurisdiction. The ideological and moral force of legitimacy<sup>6</sup> was of some, although limited effectiveness, in securing compliance with decisions of the federation on jurisdiction. The system of exclusive jurisdiction never developed a satisfactory method for making jurisdictional decisions or agreements nor for enforcing them. Although the constitutional doctrine provided for exclusive jurisdiction and thereby for an elimination of competition, in actual practice the degree of competition in the American labor movement was very high.

In the years before World War I the AFL made many jurisdictional decisions. Final action was taken less frequently in the twenties and early thirties. The Committee on Adjustment tended to refer problems to the Executive Council or to recommend further meetings between the contending unions. Between the split in the thirties and merger in the fifties only a relatively few decisions were made although not from a lack of problems or fighting issues. The will to make final decisions, the machinery to enforce decisions, and the consequences of non-agreement or expulsion all led to a gradual abandonment of decision making and to greater resort to pressures for agreement, postponement and ad-hoc solutions to particular situations. Internally, the system of exclusive jurisdiction had seriously declined in its vitality before it was challenged from outside.<sup>7</sup>

The system of exclusive jurisdiction was largely displaced by a combination of two developments in the mid-thirties; the government determination of the election district under the Wagner Act (continued under the Taft-Hartley law) and the rise of the CIO.

<sup>6</sup> Walter Galenson, "The Unionization of the American Steel Industry," *International Review of Social History*, 1956, p. 15.

<sup>7</sup> There is need for a definitive study of the "decisional process" and substantive actions of the Federation on jurisdiction from the 1880's to the 1930's. See, Lewis L. Lorwin, *The American Federation of Labor* (Washington, D. C., The Brookings Institution, 1933), pp. 340-41, note 3.

The Wagner Act without a split in the labor movement probably would have resulted only in minor or gradual variations in the system of exclusive jurisdiction;<sup>8</sup> a split in the labor movement without government determination of election districts probably would have provided no effective challenge to the principle of exclusive jurisdiction although in many sectors possession and control over jurisdiction would have changed. Matthew Woll in the 1935 Atlantic City debate stated clearly the implications of the Wagner Act:

"Bear in mind that we now have legislation on our books which does not make us the sole factor in determining the form and character of organization that shall hereafter prevail in the labor movement. . . .

"With all of this we are merely playing into the hands of those who would delegate the power of self-organization of wage earners, not into the hands of the councils of the American Federation of Labor or its Executive Council . . . but to delegate it to Governmental bodies."<sup>9</sup>

The rapid expansion of the labor movement in the spurts of the mid-thirties and the war, with a good deal of grass roots growth, the AFL-CIO split and government determination of election districts, were factors contributing to a widespread blurring of jurisdictional lines. The jurisdiction of a national union depended upon elections won and contracts signed rather than upon charter rights or claims. While there was always a significant difference between jurisdiction claimed and jurisdiction exercised, in the period of the 'thirties and 'forties the ideal of traditional jurisdiction in most sectors of the labor movement became largely non-operational.

In the post-war period the costs and disadvantages of competition, unrestricted from within the labor movement, came increasingly to the fore as the rate of growth of membership tapered off and few new sectors were penetrated. Raiding increased with craft severance and the isolation of the communist dominated unions.<sup>10</sup> Rivalry was

<sup>8</sup> Compare developments in the railroad industry where the National Mediation Board determines the appropriate craft or class and certifies the exclusive bargaining representative. See, *Determinations of Craft or Class of the National Mediation Board, July 1, 1934-June 30, 1948* (Washington, D. C., Government Printing Office, 1948).

<sup>9</sup> *Report of the Proceedings of the Fifty-fifth Annual Convention of the American Federation of Labor, 1935*, pp. 529-30.

<sup>10</sup> See, Joseph Krislov, "The Extent and Trends of Raiding Among American Unions," *Quarterly Journal of Economics*, February, 1955, pp. 145-52; "Raiding Among the 'Legitimate' Unions," *Industrial and Labor Relations Review*, October 1954, pp. 19-29.

expensive and frequently led to the mere transfer of members or to reorganizing the organized. The Taft-Hartley law permitted decertifications so that contesting unions could both lose to a non-union vote.<sup>11</sup> In the period after the war a tendency developed within the labor movement to limit in certain directions the extent of competition and rivalry among unions.

At least six types of agreements among contesting unions are to be observed. Particular agreements, of course, extend beyond the scope of a single pure type and may be illustrative of several types.

(a) Agreements to negotiate jointly with employers or to co-ordinate strike action where both unions are significantly represented in plants of a company or association.

(b) No-raiding agreements to restrict competition for workers already certified or covered by agreements or to restrict competition for run-away plants.

(c) Agreements for joint organizing campaigns with an interim or permanent division of new members<sup>12</sup> or a specific division of plants and agreements to regulate the conduct of competitive organizing campaigns or to establish Marquis of Queensberry rules.

(d) Agreements defining jurisdiction between the organizations and settling disputes over exclusive jurisdiction. Among unions in the Building and Construction Trades Department approximately 25 agreements of this type have been signed since 1948.

(e) Agreements merging national unions may also be mentioned, although a merger makes internal to the combined union problems which were formerly between organizations. Mergers arise for a variety of reasons other than to solve problems of rivalry and conflicting jurisdiction, such as to secure financial support for a weaker organization and for economies of organizational and administrative arrangements. A number of mergers have been made without formal signed agreements.

(f) Agreements creating machinery providing for final and binding decisions by arbitrators in disputes over (b, c, or d): raiding of workers already organized by parties to the agreement, the organization of workers unorganized or organized by unions not parties to the agreement, or work jurisdiction disputes. There are four such agree-

<sup>11</sup> See, statement of President George Meany, *Proceedings of Conference of International Representatives A. F. L. to Consider Tentative Draft American Federation of Labor Internal Disputes Plan, Chicago, Illinois, May 14, 1954*, pp. 9-10.

<sup>12</sup> See, Marten S. Estey, "The Strategic Alliance as a Factor in Union Growth," *Industrial and Labor Relations Review*, October 1955, pp. 41-53.

ments currently in effect:<sup>13</sup> that creating the National Joint Board in the construction industry established in 1948 concerned with work jurisdiction alone, the CIO agreement governing organizational disputes established in 1951 concerned with both raiding and new organizing disputes, the AFL internal disputes plan established in 1954 with raiding, new organizing and work jurisdiction disputes, and the no-raiding agreement between the AFL and CIO established in 1953-54 concerned solely with problems of raiding.<sup>14</sup>

The accompanying table lists approximately 50 agreements made between national unions since 1948 classified according to the types just noted.

This is an age of bilateral agreements; at no time in the history of the labor movement have so many agreements between national unions been made.<sup>15</sup> The central system of exclusive jurisdiction had become largely inoperative, and a central system under the merged federation has not been established. In the absence of final decisions within the labor movement, the practical insistence on solutions to problems has tended to stimulate agreements. Moreover, the law provided penalties for jurisdictional strife and appeared to give management unlimited rights to assign work and a limited right to request elections. The unions could do no less between themselves than they and the law of the land expected of employers, to bargain for an agreement. While a system of bilateral agreements is not logically consistent with the doctrine of exclusive jurisdiction since decisions are not made by a single central body, agreements may prove a practicable substitute by keeping competition within limits, by preventing further departures from established jurisdictional lines and by yielding the equivalent to exclusive jurisdiction in many cases.

The AFL-CIO merger, and the writing of a new constitution,<sup>16</sup> provided an opportunity for a fresh and systematic review of the

<sup>13</sup> See, *Arbitration Today, Proceedings of the Eighth Annual Meeting, National Academy of Arbitrators*, Boston, Massachusetts, January 27 and 28, 1955 (BNA Inc., Washington, D. C., 1955), pp. 149-66; Arthur J. Goldberg, *Loc. cit.*, pp. 271-82, 291-302 for the text of three agreements; David L. Cole, "Jurisdictional Issues and the Promise of Merger," *Industrial and Labor Relations Review*, April 1956, pp. 391-405.

<sup>14</sup> One of the significant developments of the period since World War II has been the general willingness (as the lesser of evils) to allow jurisdictional issues to be referred to outsiders for decisions.

<sup>15</sup> Agreements among unions have been made from the earliest days; thus, the Knights of Labor and the Federation discussed a "treaty."

<sup>16</sup> AFL-CIO, *Constitution of the AFL-CIO and Other Official Documents Relating to the Achievement of Labor Unity*, January 1956.

AGREEMENTS AMONG NATIONAL UNIONS, 1948-56'  
CLASSIFIED BY TYPE

Organizations	Date	Joint Action in Collective Bargaining or Dealing with Employers (a)	No Raiding (b)	Joint Organiz- ing Campaigns; Standards for Competitive Organizing (c)	Work Jurisdiction (d)	Merger or Transfer of Mem- bers (e)
Laborers/Electricians	July 13, 1948				X	
Laborers/Plumbers	May 24, 1949				X	
UAW/Machinists	Sept. 9, 1949, June 2, 1953	X	X	X		
Carpenters/Laborers	Oct. 3, 1949				X	
Carpenters/Asbestos Workers	July 21, 1950				X	X
Boilermakers/Blacksmiths	April 15, 1951					X
Boilermakers/Plumbers	July 9, 1951				X	
Iron Workers/Sheetmetal Workers	Feb. 6, 1952				X	
Machinists/Teamsters	Feb. 4, 1953 Sept. 13, 1955		X	X	X	
Iron Workers/Elevator Constructors	May 26, 1953				X	
Iron Workers/Carpenters	June 3, 1953				X	
Machinists/Rubber Workers	June 15, 1953	X	X	X		
Packinghouse/Meat Cutters	June 23, 1953	X	X	X		
Machinists/Rubber Workers	Aug. 10, 1953		X	X		
Boilermakers/Iron Workers	Sept. 23, 1953				X	
Insurance Agents/Insurance Workers	Dec. 13, 1953	X		X		
Machinists/Pressmen	Dec. 16, 1953			X	X	
Laborers/Engineers	Dec. 18, 1953				X	
Boilermakers/Plumbers	Dec. 29, 1953				X	
Bricklayers/Asbestos Workers	Jan. 28, 1954				X	
Laborers/Engineers	Feb. 3, 1954				X	
Teamsters/Upholsterers	Feb. 17, 1954			X	X	
Machinists/Plumbers	April 29, 1954			X	X	
Carpenters/Laborers Laborers/Engineers	Sept. 17, 1954			X		

Carpenters/Machinists	Sept. 18, 1954		X		X	
Teamsters/Meat Cutters	Sept. 24, 1954		X		X	
Musicians/Variety Artists	May 29, 1950 Nov. 15, 1954	(withdraw legal action)			X	X
Meat Cutters/Fur Workers	Dec. 28, 1954					X
Teamsters/Bakery Workers	Feb. 5, 1955		X	X		
Oil Workers/Gas, Coke, Chemical	Feb. 25, 1955					X
Cement, Lime and Gypsum/Stone and Allied Workers	March 19, 1955		X			
Iron Workers/Machinists	March 22, 1955		X	X	X	
Iron Workers/Electricians	May 5, 1955				X	
Five Printing Trades Unions (amendments to the 1911 agreement)	June 29, 1955	X (union label)				
Retail Clerks/Meat Cutters	Dec. 12, 1955	X		X	X	
Electricians/Carpenters	Feb. 1, 1956				X	
Lathers/Sheetmetal Workers	April 26, 1956				X	
Oil, Chemical and Atomic/Chemical Workers	May 11, 1956			X		
Furniture Workers/Upholsterers	May 24, 1956			X		
Meat Cutters/Packinhouse	June 6, 1956, Sept. 10, 1956					X
State, County and Municipal/Civic Employees	June 30, 1956					X
Barbers/Barber and Beauty Culturists	July 1, 1956					X
Machinists/Metal Engravers	July 24, 1956					X
Sheetmetal Workers/Plumbers	Aug. 31, 1956	X			X	
Machinists/Boilermakers	Sept. 1, 1956	X	X	X	X	
Teamsters/Flight Engineers	Oct. 12, 1956			X	X	
Painters/Asbestos Workers	Nov. 1, 1956				X	
Painters/Plasterers	Nov. 29, 1956				X	

<sup>1</sup> The list contains those agreements between national unions which have come to the writer's attention. He would welcome copies of agreements not here reported. For a partial listing (18), see, Bureau of National Affairs, "Jurisdictional Dispute Settlement Agreements," LRX 346 a-e.

Only formally signed agreements have been included in the list; informal understandings or clarifications of old agreements have not been listed. Agreements formally repudiated also have been excluded. The classification by type is the writer's judgment and does not constitute a formal interpretation. In addition to these agreements are the four creating general plans for settling various types of disputes noted in paragraph (f) in the text. There are some formal procedural agreements limited to settling disputes between two unions not listed above, such as Iron Workers/Plumbers, October 8, 1953 and Painters/Plumbers, August 5, 1954 amended February 2, 1956.

doctrine of exclusive jurisdiction. But there was no extensive constitutional debate in convention as there had been in 1935, except in the corridors, bars and in a few journals.<sup>17</sup> An analysis of the new constitution indicates that the older constitutional doctrine of unqualified exclusive jurisdiction was substantially modified, if not abandoned.

(a) All jurisdictional claims against national unions in the merged federation alleging past trespass of jurisdiction were in effect denied. No matter how meritorious a claim based on previous exclusive jurisdiction, possession was to prevail and to provide constitutional protection in the future. The jurisdiction actually exercised by each affiliate at the time of merger was to be preserved intact.<sup>18</sup> Historical jurisdiction is replaced by "established collective bargaining relationship." This constitutional principle apparently applies not only between former affiliates of the AFL and CIO but also between unions within each group. Voluntary agreements and mergers may ultimately eliminate extreme instances of overlapping jurisdiction.

(b) A new term "organizing jurisdiction" was introduced<sup>19</sup> to provide that with respect to an unorganized group or to one represented by a union outside the merged federation, a union was free to assert its historical jurisdiction. But once a group is organized and certified or a collective bargaining relationship established, it would appear that traditional jurisdiction is again lost to the actual possessor. While "organizing jurisdiction" could have significance if the AFL-CIO were to assign rights and priorities in unorganized sectors and in organizing campaigns, at the present time "organizing jurisdiction" has little significance as a standard for settling disputes over organizing or providing an indication of legitimacy.

<sup>17</sup> For critical discussion see, Martin P. Durkin, "Toward A Lasting Merger" and "What Price Merger?" *United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry Journal*, October and November 1955; "ITU Seeks Merger Constitution Changes." *Labor's Daily*, July 7, 1955, pp. 7-10; *Pattern Makers' Journal*, "What Price Bigness," January-February 1955, pp. 1-2; "Merger," July-August, 1955 pp., 1-2; "ITU Autonomy is Fundamental Matter," *The Typographical Journal*, January, 1956, pp. 18-21.

<sup>18</sup> Article III, Section 4: "The integrity of each such affiliate of this Federation shall be maintained and preserved. Each such affiliate shall respect the established collective bargaining relationship of every other affiliate and no affiliate shall raid the established collective bargaining relationship of any other affiliate."

<sup>19</sup> Article III, Section 3: "Each such affiliate shall retain and enjoy the same organizing jurisdiction in this federation which it had enjoyed by reason of its prior affiliation. . . ." Also, see, Article II, paragraph 8.



(c) Jurisdictional rights may be asserted when consideration is given by the merged federation to adding a new affiliate which would be in conflict with the jurisdiction of an existing affiliate.<sup>20</sup> Charters are not to be issued in conflict with the jurisdiction of an affiliate. Jurisdiction apparently has most significance in the new constitution when it is asserted against a prospective national union rather than against one of the charter members of the new federation.

The principle of exclusive jurisdiction, the constitutional principle used to regulate competition within the labor movement from the 1880's, was weakened from within before the mid-thirties by an unwillingness to make decisions and a lack of enforcement machinery. The government determination of election units and the split in the labor movement combined to render the doctrine largely inoperative. Some vestiges remain in the new concept of "organizing jurisdiction," in the rights against new affiliates and in the rights of unions parties to the AFL internal disputes plan to assert evidences of traditional jurisdictional rights.<sup>21</sup> The new constitutional principles relied upon to regulate competition within the labor movement are the principle of the "integrity of affiliates" and "established collective bargaining relationships" and the stated hope for the voluntary extension of the voluntary no-raiding and internal disputes plans.

In practice the principle of exclusive jurisdiction is inoperative except in the building and construction industry, where the provision for government determination of bargaining units by elections is impractical and inoperative, and to some degree in sectors such as the railroad and printing industries which were highly organized and where elections have not radically affected the pattern of jurisdiction except as between pairs of contending unions on some properties or in some plants.

The "established bargaining relationship" has become the standard of legitimacy both within the law of the labor movement and the land. Unlike the state of affairs under the principle of exclusive jurisdiction, there is effective machinery in the government to make decisions concerning bargaining representatives and to enforce them. In a sense, the merged federation largely abandoned its previous standard for regulating competition and accepted that of the law of the land, availing itself thereby of effective decisional and enforcement machinery as a last resort. Voluntary machinery, with use of

<sup>20</sup> Article III, Section 7.

<sup>21</sup> Article V of the plan sets forth the standards to be considered by the umpire.

an impartial no-raiding umpire, in this legal framework can operate more rapidly and appear to keep the regulation of competition relatively within the labor movement. In the sector of the labor movement where exclusive jurisdiction is still applicable, in the building trades, new decisional machinery was established and the enforcement machinery of the government materially assists the voluntary machinery.

The labor movement is as reluctant as ever to yield the determination of inter-union competition to the preference of workers, to employers or to the government. The bilateral agreements between national unions and the setting up of no-raiding and internal disputes plans are designed to bring these decisions in large measure back within the scope of the labor movement.

The relation between union growth and inter-union competition is complex. While some degree and types of inter-union competition probably have inhibited growth, there is also merit in the view that "competition, not unity, is responsible for the gains made by workers over the past 20 years."<sup>22</sup> The significant problem for the future is the forms and degrees of competition to be permitted within the Federation as a matter of public policy and union government.

## (2) *The Craft-Industrial Problem*

The occupational scope of the form of union organization dominant in the AFL was a trade, craft, or group of related crafts. Organization seems to have started with strategically placed groups of workers<sup>23</sup> and to have grown outward from these centers. In some relatively specialized cases, starting from these key workers, organization spread to form industrial unions as in the case of the isolated mining communities,<sup>24</sup> the brewing industry with the strong socialist traditions of its immigrant work force, and the garment industry where craft and immigrant origins were preserved as an industrial union grew under the need for market control. The dominant form of trade organization traditionally characterized union structure in the major organized industries: railroad, building, printing, and shipbuilding.

The practical needs for survival, and unhappy experience with

<sup>22</sup> "What Price Bigness," *Pattern Makers' Journal*, January-February 1955, p. 1.

<sup>23</sup> John T. Dunlop, "The Development of Labor Organization: A Theoretical Framework," in *Insights into Labor Issues*, Richard A. Lester and Joseph Shister (Eds.) (New York, The Macmillan Company, 1948), pp. 179-83.

<sup>24</sup> *Report of Proceedings of the Twenty-first Annual Convention of the American Federation of Labor*, 1901, p. 240.

extreme forms of industrial unionism, confirmed the dominant pattern of organizational form save in special cases. A rationalization or philosophy of the trades or craft form of organization slowly emerged which achieved the status of received doctrine. This doctrine and policy was the center of all attacks from rival labor organizations: on the left for industrial unionism<sup>25</sup> and on the right for company unionism.

The traditional policies were displaced in the direction of a somewhat larger occupational grouping—in the industrial union direction—by the events of the mid-thirties. The decisive factors were two: (a) the government determination of the scope of the “bargaining unit” under Section 9 of the Wagner Act, and (b) the competition within the labor movement. The size of unit which can be organized and defended against employer opposition and worker apathy is much larger with government determination of election districts, certification depending on a majority vote, government enforcement on employers of the obligation to bargain for the unit as a whole, and government protection against rival unions save at specified periods. It is a quite different task to organize and to defend a unit on the picket line, with few limitations to employer opposition and rival unions, than to organize through quasi-political methods and to persuade an electorate to place an “x” on a ballot. The type of union, and the relation of union organization to member, is also likely to be different from the product of the older picket-line or non-election organizing.

While the range of organizational forms in the labor movement has not been altered, the occupational scope of most national unions has been substantially increased. There are some few exceptions on the extreme narrow side such as the Patternmakers, Lathers and Horseshoers. The industrial union, instead of being an exception to “organization on trade lines” warranted by special circumstances, such as the isolation of the coal mining industry (Scranton Declaration), is now recognized to be on a parity with the “trade union.” In the language of the constitution of the merged federation, “. . . giving recognition to the principle that both craft and industrial unions are

<sup>25</sup> “But the basic measure for the concentration of the forces of organized labor is the amalgamation of the six score craft unions into a few industrial unions.” William Z. Foster, *Misleaders of Labor* (Trade Union Educational League, 1927), p. 321; Anthony Bimba, *History of the American Working Class* (New York, International Publishers, 1927), p. 227. See, however, Louis Adamic, *Dynamite, The Story of Class Violence in America* (New York, The Viking Press, 1931), pp. 194-95.

appropriate, equal and necessary as methods of union organization.”<sup>26</sup>

The issue of craft versus industrial unionism was for many years an issue of ideology within the labor movement. Since the events of the thirties, the occupational scope of organization has become largely a question of tactics and strategy in the particular organizing or bargaining context and a practical problem of internal union administration.<sup>27</sup> It is now evident that there are problems confronting unions with either wide or narrow groupings of occupations. Neither organizational form is without difficulties which at times make the other appear attractive both to the union officers and to groups of members.

A narrow grouping of occupations may require coordination in bargaining with other labor organizations and may, for practical purposes, abdicate the initiative and independent decision making in collective bargaining since tails do not ordinarily wag dogs. Technological change and shifting tastes and demand may threaten a narrow grouping. A union with a limited occupational scope and a small membership may not achieve many of the economies of scale in union organization. On the other hand, a wide grouping of occupations may have difficulty holding together. A number of industrial unions have had skilled-trades trouble,<sup>28</sup> and they have experimented with a variety of devices to give special recognition to their problems within a larger group: a skilled trades department, special wage increases and apprenticeship programs. The larger scope of occupations also presents difficulties in bargaining, in finding internal agreement on an acceptable collective bargaining contract, where there may be differences over the extent of wage differentials and where high seniority employees may have different views than low service workers on pensions and supplementary unemployment compensation. The policies of organizations are affected by the relative number of workers in unskilled, semi-skilled and skilled occupations under an agreement.

The developments within the labor movement on the occupational scope of the union—the craft-industrial problem—have been in the direction of further diversity. A number of intermediate forms have

<sup>26</sup> Article II, Section 2.

<sup>27</sup> Industrial unions have, for example, sought to carve out craft groups from a unit organized on an industrial basis by traditional craft unions. See, for example, the decision of October 22, 1956 of the AFL-CIO umpire, David L. Cole, involving the Oil, Chemical and Atomic Workers International Union and various unions allied with the Metal Trades Department. Traditional craft unions have petitioned for wide or narrow election districts depending almost solely on their chances of success.

<sup>28</sup> “Dissidence in the Auto Field,” *Business Week*, March 10, 1956, p. 150; “To Prevent Revolt, UAW Takes New Tack,” *Business Week*, December 22, 1956, pp. 84-87.

arisen to compromise the extremes of the craft-industrial clash. Among the more prominent are the following:

(a) The council of occupationally narrow unions has had some limited success as a bargaining representative in atomic energy installations, in sectors of shipbuilding, munitions plants, the hotel industry and in isolated establishments.<sup>29</sup> The council idea was advocated by John Fry who sought to introduce this form of organization in the Western mining industry as an alternative to pure industrial unionism. Councils had long been established in the building and printing industries, but they were ordinarily used as a device to coordinate activities rather than serve as a collective bargaining instrument. Their development on a wide basis as a bargaining agent was an innovation of the split in the labor movement.

(b) Some unions with a narrow occupational scope, to protect a central core and in anticipation of conflict with other unions, simply extended the occupations within the union and covered by agreements to include the whole plant. The Moulders and Glass Bottle Blowers are illustrative. The problems and tensions of adaptation then took place inside the unions. At times new locals were formed and at other times the new groups were included in the same locals. The leadership of the narrower groups frequently continued for a period, and many still continue, making for gradual adaptation to the larger scope of organization.

(c) One of the most striking developments of the period is the way in which unions which were predominately craft in the thirties have expanded to include industrial groups, and various intermediate forms while continuing craft organizations in some sectors. The Machinists and Electricians, strong AFL leaders against the CIO in the thirties, are perhaps the clearest illustrations, although much the same developments have taken place in all but a few craft unions.<sup>30</sup> The craft unions of the thirties have become both craft and industrial in varying proportions. Union structure has been most pliable. As a consequence new problems of internal government have arisen for these unions: the dues structure, union death benefits and health features, and the distribution of union offices. As a general rule the craft groups still control these unions, but they have developed quite

<sup>29</sup> See, *Proceedings to the Forty-sixth Annual Convention of the Metal Trades Department of the American Federation of Labor*, November 28, 1955, pp. 12-19, 25-30.

<sup>30</sup> See, the affiliations of the building trades and metal trades unions to the industrial union department of the AFL-CIO.

flexible policies toward the non-craft groups who enjoy considerable autonomy. Special departments, conferences, and councils have frequently been established within the framework and supervision of the national union with specialized personnel. In some cases a limited number of executive board places have been assigned to give these groups representation in the top councils of the union.

The craft-industrial issue is no longer a question of ideology but rather a matter of organizing and bargaining tactics and internal union government. There have been such widespread modifications in the scope of the occupations in the craft unions of the thirties that there no longer exists among national unions a craft-industrial issue. The adaptations in structure of the national unions have created new and difficult questions of internal government. The craft-industrial issue has been turned inward to take almost a different form in each national union.

### (3) *The Doctrine of Autonomy*

The principle of autonomy, its origins in the struggle in the 1880's between the Knights of Labor and the national unions affiliated with the Federation, is reaffirmed in the constitution of the AFL-CIO. A stated purpose is " . . . to protect the autonomy of each affiliated national and international union."<sup>31</sup> There has been no change in the statement of the constitutional principle, except that procedures have been established to implement the constitutional purpose that unions shall be free of corrupt influences and totalitarian agencies. The Executive Council is empowered to conduct an investigation, to give directions to an affiliated national union on these matters, and on a two-thirds vote to suspend the affiliate.<sup>32</sup>

While these new constitutional provisions do limit the principle of autonomy, at least in the form it had previously been expressed,<sup>33</sup> the change does not significantly alter the basic fact of the dominance of the national union in the American labor movement, relative to the influence and authority of the confederation or trade union center.<sup>34</sup>

These new provisions reflect an increased sensitivity to public opinion and a new status in the community. A labor movement with one-third of the non-agricultural work force enrolled, in this respect,

<sup>31</sup> Article II, paragraph 11.

<sup>32</sup> Article VIII, Section 7.

<sup>33</sup> *Report of the Proceedings of the Sixtieth Annual Convention of the American Federation of Labor*, 1940, pp. 504-6.

<sup>34</sup> See, J. E. Barnett, "The Dominance of the National Union in American Labor Organization," *Quarterly Journal of Economics*, May 1913, pp. 455-81.

may be expected to be more responsive to public opinion than a union movement with only five or ten per cent of the work force.

The way in which these new constitutional principles are in fact applied will be a better measure of the extent to which the principle of autonomy has undergone change. The principle of autonomy historically did not preclude considerable influence upon smaller unions and even directions on occasions from the Executive Council or President on matters that might be regarded as autonomous in the case of a larger or more influential union.<sup>35</sup> The meaning of autonomy under the new constitution will be significantly tested when the powers of Article VIII, Section 7 on corruption and communism are applied not against an international union or its officers but rather sought to be applied through an international to some local union or local officer.

#### (4) *The Internal Government of National Unions*

While the last generation has seen few basic changes in the autonomy of the national unions relative to the confederation, there have been significant developments in the relations between the national union and both the constituent local and regional bodies and the membership.

(a) Intermediate bodies between the national union office and the local union have come to play an increasing role in the life of the national union and in the negotiation or administration of collective bargaining agreements. It may be a regional office as in the Steelworkers and Hod Carriers, a district council as in the Carpenters, a market or regional office as in the Ladies' Garment Workers, a conference as in the Teamsters and Glaziers or a less formal grouping of locals in a number of states or a product branch of the industry under an international representative. These bodies have gained responsibility and new functions both as compared to the local unions and the national office.<sup>36</sup> There is a variety of reasons for this development including the growing size of unions with larger administrative duties and the organization of firms in specialized product markets. The growing ease of transportation and the expansion of metropolitan centers also played a role in the consolidation of many locals.

While policy making is kept typically in the national office, these regional and product or market groups are significant agencies of

<sup>35</sup> See, Herbert R. Northrup, "The Tobacco Workers International Union," *Quarterly Journal of Economics*, August 1942, p. 621.

<sup>36</sup> See, G. D. H. Cole, *What is Wrong with the Trade Unions?* Fabian Tract 301, September 1956, p. 7.

administration and typically also points of political control within the hierarchy of the international union. It is thus politically easier to control ten local unions in an area (count on their votes in a convention) through a district council or regional office than to maintain control within each separate local union. While most international unions exercise considerable control over local unions directly through international representatives and the telephone, there is some tendency for administration to be decentralized to these intermediate bodies.

(b) There is a growing specialization of union staff, a greater use of technicians and experts, and a growing professionalism in the conduct of union affairs and collective bargaining. The growth in union size with resulting administrative problems, the growth of personnel and specialized staffs in management, the passage of legislation affecting collective bargaining, peace time and war time governmental agencies, the growth of arbitration and the increased complexity of some collective bargaining issues such as pension plans have all been factors operating in this direction.

(c) The relationship of the membership to the local and national unions has also undergone significant changes.<sup>37</sup> In part, this arises from the way in which members are recruited. Members organized by a vote in a government-conducted election or by the application of the union security provisions of an agreement, whose dues are checked off by the employer to the union, can hardly be expected to hold the same attachments to the union that arose when men were organized on the picket line. Long-term contracts operate in the same direction to create new attitudes toward the union. In part, the labor force itself is changing affecting the nature of its attachment to the union: a higher proportion of women and older workers, a higher level of education, a change of residence frequently to the suburbs, a higher proportion of home ownership, a considerable level of installment debt, the habits of television affect the union's communication with its members, and a rising proportion of skilled and technical occupations. Then, too, the continuing high levels of employment, the absence of serious unemployment affects the attitudes of the union member.

<sup>37</sup> Much contemporary discussion fails to draw a distinction between long term or secular trends and the changes in relationship within the early years of the life of any national union. The changes in many unions formed in the late 'thirties or in the war period are no more than the passing of an initial stage. For perspective, see Robert F. Hoxie, *Trade Unionism in the United States* (New York, D. Appleton and Company, 1921), Ch. VII, "The Leaders and the Rank and File."



Finally, mention should be made of the change in policies of many managements, as exemplified in employee relations and plant and community communications programs.

These factors have not been enumerated to suggest that union members are necessarily less loyal or less willing to strike. Rather they suggest that workers may be joining unions (except at the frontiers of union growth) more normally and naturally and that the attachment is less an emotional and personal experience and more another affiliation in a pluralistic society.

## II. THE AMERICAN INDUSTRIAL RELATIONS SYSTEM

Any industrial relations system reflects the environment in which it arises and the characteristics of the management and labor organizations which interact. Systematic analysis of industrial relations systems require the isolation of a limited number of characteristics of a system and a statement of the interrelations between the features of the environment and the labor and management organizations on one hand and the observed characteristics of the industrial relations system on the other.

While the present paper is no place for extensive analysis of the American industrial relations system, the changes in that system since the twenties need to be placed in perspective. The principal features of the American industrial relations system which existed prior to the 1930's may be analyzed in the following terms:

### FEATURES OF THE TOTAL ENVIRONMENT

1. high ratio of natural resources to labor
2. large geographical environment with diverse regions
3. wide market area for products and labor
4. economic instability
5. industrialization did not have to transform a settled social system

#### *Workers and Labor Organizations*

1. individualistic workers
2. economic unionism
3. dominance of national union and career union leaders
4. local unions have large function and no rivals from works councils or labor parties
5. competitive unionism restrained by exclusive jurisdiction

#### *Management*

1. competitive and aggressive management
2. few strong employers associations
3. anti-union in the main
4. little staff organization for labor matters; foreman and line without assistance or general policy
5. drawn from no single class

## FEATURES OF THE INDUSTRIAL RELATIONS SYSTEM

1. high wage rates
2. wide differentials for skill
3. small sector organized (10% of non-agricultural work force)
4. local bargaining predominates
5. large number of strikes and considerable violence
6. periods of union growth were sporadic

In the period since the 1920's there has been a number of changes in the total environment in which the industrial relations system operates. The most prominent of these changes, in their effect upon the system, are the following:

(1) The cessation of immigration was to have a significant effect upon the homogeneity of the work force, to accelerate the withdrawal of labor from agricultural regions, and to raise unskilled and semi-skilled wages relative to compensation for skilled work.

(2) The prolonged depression of the thirties and then the high employment levels of the war and decade after were to shape attitudes in the community, and among workers and managements, toward union organization. They were to set the stage for a vast expansion in collective bargaining. In two spurts, in the mid-thirties and in the war, union membership was to rise from ten per cent to one-third of the non-agricultural work force. "For economic and political power—reinforced by moral power—has brought about a complete change during our lifetime in the social and economic structure of the nation."<sup>38</sup>

(3) The government policies represented by the Wagner Act and the War Labor Board were to have significant effects on the industrial relations system. The Wagner Act established the policies of: (1) an exclusive bargaining representative, in line with the public tradition of majority rule and the tradition of exclusive jurisdiction in the labor movement, and (2) government determination of the election district. The war followed soon upon the birth of many new bargaining relationships: four years of preoccupation with a common wartime effort under maintenance of membership and other policies determined by governmental agencies were to assist in firmly establishing collective bargaining beyond serious possibility of disruption and for long enough to permit changes in basic attitudes among many parties. The war produced transformations in attitudes and policies

<sup>38</sup> Sylvia and Benjamin Selekman, *Power and Morality in a Business Society* (New York, McGraw-Hill Book Company, Inc., 1956), p. 7.

which otherwise might have taken many years; its long run effects must be rated very high.

(4) The expansion in collective bargaining and the implications of the Wagner Act were to lead, particularly in a post-war context, to some degree of public regulation of union organization and collective bargaining in the Taft-Hartley law.

These changes in the environment of the parties created important changes within management organizations and labor unions. In large managements particularly, there was a great expansion in staff concerned with employees and collective bargaining. Policies involving employees were centralized and in varying degree also their administration.<sup>39</sup> Except for a minority and for unorganized companies, large managements had shed much of their open anti-unionism. Opposition was more subtle. Human relations policies and techniques were widely adopted. On the union side, large organizations were to require more modern methods of administration, and larger labor organizations had to learn the hard way, as business before it, to be more sensitive to public opinion. The labor movement had shed almost all ideological elements which contested any of the basic institutions of the society.<sup>40</sup>

These transformations in the environment, and in management and labor organizations since the 1920's, were not to change the main features of the industrial relations system that was received from the past. Some significant modifications and refinements, however, are to be noted:

(1) The labor movement is much less a minority movement. The present plateau of membership, as a percentage of the non-agricultural work force, appears stable and substantial growth depends on a major break through to new sectors or areas which does not appear imminent.

(2) Collective bargaining has become a settled and orderly process except at the frontiers of growth. Management has retained the major features of its discretion and policy making unimpaired, and it enjoys a high prestige by and large among workers, the unions and the community. While strikes continue above the level of poorer and smaller countries or those with more centralized industrial relations

<sup>39</sup> See, Charles A. Myers and John G. Turnbull, "Line and Staff in Industrial Relations, *Harvard Business Review*, July-August 1956, pp. 113-24.

<sup>40</sup> See, in contrast the prediction and analysis of Werner Sombart, *Socialism and the Social Movement*, Translated by M. Epstein (New York, E. P. Dutton and Company, 1909), pp. 276-78.

system, the extent of violence in labor disputes has very significantly declined in the United States.

(3) Arbitration of grievances has become the final step of grievance procedures. The wide extent of private arbitration and the resort to private neutrals has become a unique feature of the American industrial relations system.

(4) The compensation system has become more complex with fringe benefits (pensions, health and welfare programs, supplementary unemployment compensation), job evaluation plans, incentive plans and production bonus arrangements in which the unions play a significant administrative role. These developments reflect a less ideological position and the growth of the administrative functions under collective bargaining.

(5) The extent of occupational wage differentials have been substantially reduced when expressed in percentage terms.

(6) The government through the NLRB (and the NMB) has come to play a large role in setting the details of the framework of collective bargaining, when comparison is made with systems of industrial relations abroad.

The American industrial relations system in the past generation has adapted to the evolving features of the total environment in which industrial relations take place, to its historical path and to the changes within union and management organizations. It is the task of industrial relations research to document and to analyze this interaction.

# REFLECTIONS ON THE CHANGING CHARACTER OF AMERICAN LABOR UNIONS

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## INTRODUCTION

THE PERSONS RESPONSIBLE for arranging this program very charitably relieved me from the responsibility of being scholarly. I think it was assumed that a person working for a labor union ought to be unfettered by professional discipline. Whatever contribution he might make would be the fruit of chance observations which he himself might not understand, but which would have the merit of being made at first hand. Whatever the reason, I leave it to my colleagues to be scholarly; I am attempting no more than an "impressionistic" (the word is theirs) account of what appears to be happening inside the union movement.

In doing so, I dare not and need not struggle for space in that numerous company who are interpreting what are known as "current developments," such as the AFL-CIO merger, the trend toward long-range agreements, and related matters. I shall stay on the safer ground of the broad generalization.

## THE ROLE OF THE EMPLOYER

The most important single factor affecting labor unions is the attitude of the employer. This is particularly true in the United States, where working men depend exclusively upon the union (among forms of labor organization) for the articulation and achievement of their aspirations. In America, to a far greater degree than elsewhere, the employer is the source of all good things. This sound working rule has acquired during the past twenty years a firm ideological base, a virtually complete acceptance of that set of beliefs which may be roughly described as "capitalism." This ideological structure is buttressed by a specific faith in the capacities of American management, shared alike by trade union members and trade union leaders. They together hold to the view (shared also by the management) that American management has the world by the tail, and that its manners, mores and bandwagon are good enough for the rest of us. It must not be

supposed that the trade union leader has always led his members into these beliefs, although this has no doubt happened in some cases. In other cases, the leader learns that an anti-management attitude is unacceptable to his members, especially if he attempts to apply it to specific companies.

I think it is not necessary to re-examine the reasons why the employer's attitude toward unions has changed. How much of the change, and what part of the color of the change, is due to legislation, what to prosperity, and what to labor shortages, need not be carefully assessed. From the point of view of the union, the importance is in the change itself. And there can be no doubt that the attitude of the employer today in large scale manufacturing industry (of which alone I speak today) is nearly antipodal to that held 25 years ago.

#### NATURE OF THE CHANGE

From the union's point of view, the significance of the new attitude is that the employer's door is really open to the representatives of the union, especially the representative of the *national* union. This preference for the international or national representative represents a complete change of heart for employers who used to prate about the door which was always open to "their own employees" but not to "outsiders." Nowadays employers are far more likely to say that local people are "difficult and unreasonable," while national union representatives "understand the employer's problems."

Some observers have professed inability to understand why, in the light of the attitudes of unions a quarter of a century ago, the union representative was so ready to walk through the open door. The question reflects a misunderstanding of what was happening a quarter of a century ago, and not what is happening now. Before the passage of the Wagner Act, unions were traditionally anti-employer. They developed a wide variety of ideological supports for their position. But the earlier ideologies were not theirs by choice. They were forced upon the unions by systematic employer anti-unionism. Organizational necessities required them to develop devices for maintaining attitudes which would insure a stable membership and a regular flow of per capita tax payments, and in turn enable the union to perform its appointed task of improving wages, hours and working conditions. These organizational necessities were onerous, and the evidence is abundant that ever since 1900 the unions have attempted repeatedly to escape from them whenever the employers showed the slightest sign of abandoning their traditional anti-unionism.

When anti-unionism was abandoned in the Forties and Fiftes by significant segments of American industry, a new world was created for the unions. For it now turned out that the *imperative* requirements of the union, that regular flow of new members and dues, could be underwritten by the *employer* with considerably more reliability than was possible under earlier arrangements. The employer not only can do it better, he does. Unions were in many cases relieved, almost suddenly, of work that used to occupy 90 percent of their energies.

Even the task of new organizing was simplified. For in our particular expanding economy, most of the expansion is in the form of improved facilities or the building of new plants by already established companies. As long, therefore, as a union stays within its "jurisdiction," it is likely to find that the employer is as eager as the union to "wrap up" each new plant under that set of rules and personal associations which are already sanctified by long usage in other plants of the same company.

The outstanding change for the union, in its *own* mind, is its success. This colors every action and attitude of the leadership. It is all very well for critics to argue that the movement has stopped growing, and that it has not been successful in certain sectors of the work force, but these arguments are not likely to be persuasive to men who have seen the movement grow to very substantial numbers in the short space of two decades. Even more persuasive, perhaps, is the respectability and prestige which have come to labor union leaders. Labor leaders see their achievements mirrored in the new attitudes of management. They have every reason to believe that the trends of the last 20 years are all to the good, and that their systematic encouragement will lead to more good.

It is no wonder, then, that trade union leadership in the "protected" parts of American industry has been slowly but steadily turning away from those ideas and practices which had special organizational value only in the presence of employer anti-unionism. The new arrangements seem to have considerable survival value. Their advantage to the trade union leader is obvious. The members of the union are not likely to object as long as improvements in income and working conditions are available at regular intervals. To the employer, there are also significant advantages, so often stated as to require no further elaboration here. (Daniel DeLeon long ago described trade union leaders as the "labor lieutenants of the capitalist class." A more recent formulation by Daniel Bell describes labor unions as "part of the control system of management." They appear to come to the same

thing. But this is relevant to the present discussion only by way of emphasizing that the new arrangements are not at all one-sided, and may be presumed to have a high survival value.)

### SOME SUPPORTING FACTORS

Lest this all sound more naïve than necessary, it should be added that there are a great many forces in the present situation other than the mere attitudes of employer representatives and union representatives. The importance, for example, of the National Labor Relations Act is self-evident; indeed, the existence of the Act may properly be regarded as a desideratum of everything else that can be said on the subject. Beyond this, the particular set of relationships which has come to pass is due to some other less fundamental, but very important elements. Some of these may be mentioned in passing as illustrative only. Consider, for example, the rule of the National Labor Relations Board which makes the unit for representation elections coterminous with the bargaining unit. This rule, which is not required by the statute, has an enormous effect in discouraging rival unionism, and thus promoting bargaining stability. Inside the unions, the large and growing practice of electing union executive boards on a national instead of a regional basis is an influence in the same direction. The decline of left-wing unionism, partly though not wholly for reasons external to the labor movement, is also a factor of significance. But no doubt the most important of all is the continued prosperity of the economy, providing regular increments in workers' income and a relative labor shortage. It is almost inconceivable that labor unions and bargaining today would be what they are with level or declining economic activity.

### THE INTERNAL CHANGE

The great change in American labor unions during the last 20 years has been a general shift in power and control from the members to the leaders. The change was far-reaching. Within the foreseeable future, it appears to be permanent.

The change has taken place almost wholly without constitutional reform. For practical purposes, the written constitutions and by-laws of national unions are the same as they were 25 years ago or when they were originally adopted. In a number of particulars, these formal constitutions embody the same distribution of powers which is to be found in our federal and state constitutions and in many other voluntary organizations which drew their inspiration from the same 18th



and 19th century sources. I omit here any discussion of the preambles or declarations of philosophy which has persisted in some union constitutions, often containing a lingering odor of populism or socialism. I am concerned only with the formal constitutional provisions. But, with the notable exception of the International Typographical Union, these constitutions provided invariably for one-party government. There was thus always latent in these documents the possibility of strongly centralized administration and control. Sometimes, though not often, the machinery of centralization was specifically established, particularly in those cases where or when the union was threatened by strong employer coalitions.

But before the Forties, any strong central tendencies were offset, and frequently more than offset, by two omnipresent, disagreeable facts: widespread employer anti-unionism and rival unionism, the latter often with a left-wing spice.

When, as has happened in many sectors of American industry, these two factors are for the most part removed, fundamental changes in internal union relations are certain to result. Add the growing size of the collective bargaining unit and some of the other ingredients already mentioned, and a shift in power is inevitable.

To put it differently, the special types of democratic processes which existed in the union were the resultant of several forces. There were certain guarantees in the constitution, but these were seriously inhibited by the operations of one-party governments. The unanimous report, the solid slate of incumbents for re-election, the infrequent, ceremonial, conventions and similar institutions, all had the effect of discouraging effective opposition from within. But there were offsets. Faced with an arrogant official attitude, a fundamental mistake in judgment or a failure to respond to local wishes, a local union could leave the national union. If it simply wished to withdraw, the employer was always ready to be helpful. Or, if the local members were persuaded of the value of unionism, but not of *this* union, there was always a rival ready to welcome them with open arms.

Both of these routes are now closed, in the "protected" sections of industry. The employer typically does *not* now welcome withdrawal from the international union. This is particularly true of the industrial relations officer who knows he owes his job to the union. The local dissenters thus find themselves confronted today by a solid front of opposition which includes both the national union *and* the company. Within the past two years, the alternate route has been closed by

the no-raid agreements and the AFL-CIO merger. Except in unorganized plants, therefore, the local people have a very restricted freedom of choice. These changes, whether good or bad, have completely altered the old balance between local and national unions.

#### SOME SPECIFIC ASPECTS OF THE CHANGE

With no pretense of logic or completeness, I have selected for illustration of my general proposition a few aspects of the current labor movement which seem to me to be new or to have new importance:

1. *A belief in the value of bigness.* Union people, by and large, believe nowadays that a union should be big to be effective. (There are of course many exceptions to this generalization, as to all the others in this paper.) This attitude goes beyond an argument for the advantages in administrative efficiency, and the like. It is a belief that a union of 200,000 members is likely to be twice as good as a union of 100,000 members—twice as good in organizing, in bargaining and in its capacity generally to achieve its primary objectives. The “purer” craft unions tend not to hold this belief, which will serve as an additional reminder that I am talking today mainly about unions in large scale manufacturing. It is not surprising that union leaders favor large unions, the advantages being sufficiently obvious to require no special justification. But the membership generally share this view, in the apparent belief that a large union is necessarily more competent and more powerful. Management contributes to this belief by “viewing with alarm” the growth of large unions. It is not germane to argue here for or against bigness, but only to point out that thus far the superior value of bigness in labor unions is an undemonstrated hypothesis. If one regards only those functions which the union performs on behalf of its members—organizing the unorganized, negotiating, administering the agreement and so on—it is difficult to see how a larger union performs differently from a small one. One has to go outside these central union functions to find any significant justification for bigness. Of course, “smallness” and “bigness” are relative terms, and mean different things in different industries. A faith in bigness is not to be identified with a belief in bargaining on a company-wide basis with General Motors.

The pulp and paper industry provides a good illustration. Before I leave Cleveland, I shall be asked forty or fifty times “why the Pulp, Sulphite and Paper Mill Workers does not merge with the other two unions in the industry?” There is implicit in the question an assump-

tion that the failure or refusal to merge should be justified—that, other things being equal, a merger *ought* to take place. Now, as a Research Director, I take no part in the decision to merge or not to merge. But it is not inappropriate for me to observe that no certain advantages to the membership are likely to accrue from merger, except perhaps for some economy in administration. In these days, even this latter advantage is not altogether certain. It is difficult for me to see any point at which the organizing effort would be greater (it might indeed be less!), or the results of collective bargaining different, or the administration of the agreements more competent or prompt.

I repeat that this nearly universal belief in the value of bigness has as yet no firm factual support in terms of demonstrated value to the membership. But it is nevertheless an important phenomenon, because it has resulted in changing substantially the scale of values by which union members measure union activity. The emphasis on big national unions has been accompanied by a de-emphasis of the importance of local unions and local union activity. This has happened in two ways. First, the pursuit of bigness has made the members willing to give up a good deal of local autonomy. Secondly, and more important, the very fact of bigness, especially when accompanied by large scale multiplant bargaining, has inevitably resulted in a diminution of local activity and a transfer of functions from local unions to national unions. I am not at the moment assessing the value or consequences of this shift; I merely note it as one significant change which has taken place and is still taking place.

2. *Changes in the collective bargaining process.* The most dramatic and obvious result of the shift to bigness has been in the collective bargaining process itself. It is now generally believed that collective bargaining must change its character, and that the old “higgling and haggling” around local bargaining tables is a thing of the unhappy outmoded past. There can be no doubt that there have been changes in the type of bargaining and in the content of the bargain. The Automobile Workers and the Steelworkers offer the most obvious examples. The other side of the coin is a withering away of local unions, which starve to death simply for lack of things to do. Centralization of the negotiations has been accompanied to a very considerable extent by centralization of the administration of the contract. Even the routines of the local union, wage adjustment, grievance handling and the like, are being transferred to an increasing degree to functionaries outside the local union. The choice appears

to be between "good" government and self-government. My own unscientific observations suggest that a large majority of the membership prefer "good" government, at least for the time being.

There is another aspect of the change in the collective bargaining process. As the process is removed further from local plants and local unions, the bargaining takes on a less personal character, and tends to become more of a pageant or drama. There is much less of the "give and take" of negotiators who are familiar with local details and therefore willing to agree to variety and deviations. The role of the union negotiator himself has undergone subtle but fundamental changes. He enjoys the confidence of management, more often than not. He finds that management has been surprisingly willing (especially during the past 15 years) to grant significant concessions on wages, hours and working conditions. He tends to believe that this state of affairs is permanent and reliable. His primary responsibility is to get a settlement. In his efforts to bring about an agreement, he frequently finds that it is the local union and not the company which is the stumbling block. His role changes, therefore; he becomes more and more a mediator, and less and less a champion of the membership. He finds it easier to arrive at an understanding with management, and more difficult to do so with the members of the union. He may even be able to remove the uncertainty from management's position in private conversation, and to re-define his own functions as one of "selling" a settlement to "the people." In that event the collective bargaining itself becomes a kind of socio-drama enacted to convince the membership that the results were "fair" or at least "all that could be gotten." This is called "statesmanship." No implication of evil-doing is implied here; such an hypothesis is unnecessary. Nor is it suggested that the resulting bargain is any less than might have been secured in "old fashioned" ways. But the implications of these changes for the internal operations of the union are obvious.

3. *Changes in the character of national leadership.* Union leaders whose experience goes back more than 20 years are now a tiny minority of the total number of persons employed by unions on a full-time basis. Their influence is still very great, but it is diminishing. And their like will never be employed again, if one may assume a continuation of the trends which have been in existence for the past 15 years. The change of attitude as to what type of men are to be employed by the unions is largely due to these very leaders. Their shift of orientation towards management, which I have described

above, has altered fundamentally their own views as to what kind of men they want to represent the union. Naturally, the first requirement is that they be able to "get along with management." This means that they must dress well, conduct themselves "properly" and in general "make a good appearance." It is not nearly so necessary that they be able to capture and retain the "loyalty" of workers. These changes of attitude are significant in their effect upon local unions, because they affect the type of man who will rise to leadership in the local unions. One of the important forces in eliciting volunteer activity from competent local members is the attractiveness of the prospect of one day being added to the staff of the union.

4. *The use of experts.* It has long been a matter of regret among those who wish well for the unions that they seem so little able to use "staff." The word "intellectuals" is still something of a nasty word in union circles. It will seem like cavilling, therefore, to be critical of the way in which "experts" are being used increasingly by unions. But the inconsistency is only apparent. The staff function, as originally conceived, was to assist and advise the line officials of the union, and to strengthen and improve their grasp of the issues involved. The recent growth in the use of "experts" has had precisely the opposite effect. It has been largely a matter of turning over to the experts significant aspects of the collective bargaining or internal union processes. In its worst form, the officer or representative of the union abandons his role as spokesman for the union and contents himself with vouching for the qualifications of the expert, who then performs, independently of the machinery of the union, the decision-making function. Perhaps the type of invasion which his audience would most readily regard as undesirable would be that performed by lawyers, who, especially in metropolitan centers, act as negotiators, grievance handlers, administrators of union finances and so on.

The process of blind reliance on experts has been accelerated by the growth of what is known as "technical" bargaining in pensions, insurance plans and so on, where the union permits or even encourages actuaries to make decisions of policy under the guise of performing purely technical functions. The union may even accept the statements made by the company's actuary, in the belief that his conclusions are dictated by facts and are untouched by considerations relating to the interests of the company.

Regrettably, the arbitration process may have the same effect. Very few unions today would sign a no-strike clause without an arbitration provision, but few of them could have contemplated the

extent to which the arbitration process would be elaborated. Arbitration is a necessary safeguard, but to be used, like the strike, sparingly. The development of the institution of the permanent arbitrator is fully outside this original conception. I have read recently the last article written by the late Harry Shulman, entitled "The Role of Arbitration in the Collective Bargaining Process." This is a statement full of wisdom and insight, but one is prompted to ask, "What is the use of all this wisdom if it has to be imported?"

The "experts" I have described are different from each other, but they all have, or tend to have, certain characteristics in common: they are interested in keeping their clients, they therefore seek to make themselves indispensable, it is frequently to their interest to obscure rather than enlighten the processes for which they are engaged, and almost all of them perform at least *some* functions which could be performed (even though less skilfully) by local or national representatives of the union. But they have survival value, because they fit so neatly into the changing concepts of the union which I have described above. For example, one of the principal arguments for bigness in unions is that it permits the employment of "outstanding" experts. They make valuable contributions to the pageantry of large-scale collective bargaining. And the reliance upon experts permits a good deal more flexibility in the choice of field staff than would otherwise be possible.

#### ASSESSMENT

It was not my function or my intention in this paper to make value judgments about the changes which are taking place in American labor unions today, although I am sure my slip was showing in the discussion of experts. The changes which are taking place will be regarded differently by different people, according to their vantage point or the way it affects their own interests. But some recitation of advantages and disadvantages might be useful. On the one side, there has no doubt been a significant increase in union "responsibility" and "statesmanship" as a concomitant of these changes. National unions have the same interest in stability that management has, and any strengthening of the national as opposed to the local unions is likely, at least temporarily, to heighten the degree of "responsibility" which unions will demonstrate in the collective bargaining relationship. I think a more important advantage is the nearly universal consent which the unions in manufacturing industries now give to technological change. There is no point at which the national and

local leadership are likely to be more sharply differentiated in their opinions than on this issue. Local union members are always uneasy about, and usually opposed to, technological change although this opposition is not serious in periods of high level employment. The national union, on the other hand, is likely to take the statesmanlike view, and to understand that technological progress is always progress for the members as a whole and almost always for each of the members. A shift in power to the national union therefore strengthens the hand of management in making technological change.

It is argued on the other side that these advantages are far less than the disadvantages of the decline of local and membership participation in the internal processes of the union and in the processes of collective bargaining. There is no union president today who does not regret and bewail the decline in local leadership, even though he may be uncertain as to what to do about it, or unwilling to do it if he knew. The overt evidences of the problem press themselves upon him insistently. The unavailability of competent men, the draft of both local and national leaders into management and the growth of the "professional delegate" are all phenomena which cause him acute pain.

But these phenomena are merely the surface manifestations of the problem. Those who most regret the current developments argue that the real loss is in local participation in the processes for which the union was created. This often takes the form of regret at the decline of union "loyalty" and, in its extreme form, a contempt for the "slot-machine unionists" who "do not know what is good for them" and lack the energy or initiative to do anything about it. Among the less cynical, there is a conviction that the union performs its historic function only when, and to the extent to which, there is direct and understanding participation by members and local officers in the union and in the bargaining.

## DISCUSSION

WOODROW L. GINSBURG

*United Rubber Workers, AFL-CIO*

The papers presented by Professor Dunlop and George Brooks review many of the fundamental changes that have taken place in the American labor movement. In addition, they raise provocative thoughts concerning the directions in which the trade unions are moving today. I would like to touch upon three aspects of their papers in which my experience indicates a slightly different emphasis and a somewhat different interpretation. First, the shift of power to the national union. Second, the climate of current labor-management relations, and third, the degree of membership loyalty and participation. It should be noted that in my discussion I will be considering for the most part unions and collective bargaining in the manufacturing segment of our economy.

### *I. Local Union Functions*

Both papers point to important shifts away from the local union membership and the local union to the national union. While admitting that this has occurred, I feel there are some countering forces which act towards preserving a strong and active local union structure.

a) In the first place, the local union performs a vital role in collective bargaining. If negotiations are on a single plant basis, it is the local which must formulate demands and win them across the bargaining table or the picket line. Wage patterns and fringe benefits may have been established in other negotiations, but there remains a host of other issues which can be determined only at the local plant level. I am referring to such provisions as seniority in promotion, transfers, and layoffs, setting up seniority lines on a departmental, craft, or plant basis, sharing of overtime work, and the rules governing the administration of a wage system. These aspects of a collective bargaining agreement have multiplied many times over since the first contracts were negotiated.

Even in cases where negotiations cover a multi-plant company, most of the same issues just enumerated must still be determined by local plant negotiations. The common practice in the auto, rubber, steel and electrical industries is to provide for the negotiation of supplementary agreements after a companywide agreement has been



reached. In the recent steel negotiations, ironing out the details of local plant contracts caused some delay in the actual ending of the strike after economic issues at the national level had been settled. In the rubber industry we have had numerous instances of local unions having to resort to strike action to support a demand for certain clauses in a supplemental agreement—after the master agreement had been negotiated.

Many a local union leader, keenly aware of the pressures from his membership on seniority questions, on contract clauses involving the establishment of new wage rates and production standards, and other local problems, would regard these particular provisions as the heart of the labor-management relationship.

b) After an agreement has been negotiated, administering the contract presents new duties to the local union. These duties have grown as new provisions have been added and as existing ones have been expanded. Increased numbers of grievances and arbitration cases are evidence of this trend and would indicate that the worker today receives a great deal more of such service from his local union than in earlier years.

For the average member in the local union, this machinery for handling day-to-day, on-the-job problems is one of the most crucial of his union's activities. In this area local union responsibility, authority and autonomy reign supreme.

## II. *The Current Labor-Management Environment*

I can agree with the views expressed in the two principal papers that the extent and openness of anti-union behavior on the part of a large majority of manufacturing companies is significantly less than a decade or two ago. Yet this generalization conceals many situations where actions and attitudes towards unions are sharply antagonistic.

Consider for example, the record of the textile, chemical and oil industries' opposition to unions, or the statement of the head of General Electric that his company would seek to expand in those states which had right-to-work laws. The right-to-work statutes adopted in 18 states through the Taft-Hartley provision permitting more restrictive state legislation than the federal law on union security are aimed at undermining the strength and stability of unions. The change in personnel of the NLRB, the administration of the law, plus other features of Taft-Hartley, have thrown new roadblocks in the way of organizing and have obstructed fair and open collective bargaining.

From my experience extension of bargaining rights to new units of companies currently under contract with major industrial unions does not come as swiftly as Mr. Brooks implies. Examples of company opposition or playing one union off against another are all too numerous. Where collective bargaining contracts exist, negotiations are often carried on in a manner aimed at circumventing the union. All these elements cast a real shadow on the present labor-management scene.

### *III. Membership Participation*

The third point which I have chosen to discuss centers on the changed characteristics of the labor force and the implication of those changes for both participation in union affairs, as well as for understanding and support of union activities and goals.

It is a fact that the union member today is more highly skilled, better paid and better educated, in part a result of union achievements over the years. It appears to me that those very characteristics challenge the methods of communication that unions have traditionally used. Slogans and approaches that were effective in a different industrial environment may not succeed in reaching the membership today.

At the same time the broadening of union activities in the current scene should not pass unmentioned, for it poses new problems in gaining membership understanding. I might say parenthetically that this broadening of the union's program, to me is another important change in the basic character of the American labor movement. Rather than the concentration on wage and working conditions within the plant, which has been the traditional emphasis of the unions, today a vast new area of social and economic activities has been entered. Health and housing, civil rights, international affairs, and economic welfare, to name a few, mark a new outlook. From the realization of the government's key role in these and other issues emerges the growing concern for political action.

In the current American environment where the American worker has in the words of Carl Sandburg, "Crossed beyond the margin of necessity," I might suggest in conclusion that membership involvement and participation will depend upon the union's ability to provide a vision of a fuller, more meaningful life for all people.

EDWIN YOUNG

*University of Wisconsin*

In addition to the remarks of Mr. Ginsburg, I would like briefly to make the following points:

First, Professor Dunlop has made an excellent analysis of the present structure of the labor movement. My brief comment is to the effect that I wish he had gone a little further and on the basis of his analysis developed a more comprehensive theory of the pragmatic behavior of the American labor movement. I think here again we have evidence to refute the widespread belief that there is no philosophical basis to the behavior of American unionism. Professor Dunlop is as well qualified as anyone in the United States to do this philosophical analysis and this paper is certainly a fine beginning for such an analysis. I have nothing to add to his analysis of the handling of jurisdictional disputes, but I would like to suggest that the constitution of the AFL-CIO is not really the place to look for basic changes in the relationship between the national unions and the confederation.

The draftsmen of that fine document had a large enough problem in getting a basis for merger without attempting at the same time to get agreement on any basic changes. I think we must look for such changes, if they are to come, in the activities of the new merger, and I suspect there is a good chance for some basic changes, particularly in the direction of more authority in the hands of AFL-CIO. I base this prediction on the fact that the forces in the labor movement which push toward merger are still present. I think it is no secret that one of the forces that pushed both AFL and CIO into merger was the necessity for both groups to be able to challenge successfully any threat of secession or independent action contrary to the wishes of the group by affiliated unions. I might add that when there were both an AFL and CIO the threat of secession or the threat of a change of affiliation carried much more weight than such a threat now carries. I think the AFL-CIO will, from time to time, be faced with situations where individual national unions will have to back down before its wishes in matters of common interest to the whole labor movement. Over a period of time such actions will tend toward more authority in the federation.

Turning to Mr. Brooks' paper, I come not from the Washington center of unionism but rather from nearer to the frontier. I can assure you that in Wisconsin there are still many employers who do not welcome the international union representative to save them from

the demands of their local union. I believe that labor movement relations are moving in the direction that Mr. Brooks indicates, but I don't think they are nearly as far along the road as he implies. In general, I sympathize with his desire that intellectuals not take over the running of the labor movement. On the other hand, I think they have an important place; and for a union to let an inexperienced, untrained person make decisions which will have lasting economic consequences to the membership, merely because the person making the decisions needs the practice, isn't reason enough. I think we should continue to use experts in the labor movement but be sure that they are used in a staff capacity.

In closing, let me say that poorer papers would have left much more room for comments; but, as secretary-treasurer of this Association, I am well aware that the members expect the discussants to talk about the papers rather than give papers of their own.

## **Part III**

# **FREE TRADE UNIONISM IN FOREIGN AFFAIRS**

# AMERICAN LABOR AND THE WORLD CRISIS

JAY LOVESTONE

*Executive Secretary, Free Trade Union Committee—AFL-CIO*

SINCE THE CLOSE OF WORLD WAR II, American labor has shown an intense and expanding interest in world problems. But labor's interest in foreign affairs is not of recent vintage. In no small measure, this is due to the very origin and composition of our organized labor movement, the vital role played by British, German, and East European workers in its formative days. Quite naturally, America's growing involvement and participation in world affairs were reflected in the ranks of our organized labor movement. The role of Samuel Gompers in World War I and in the creation of the International Labor Organization attest to this.

After the Nazis conquered Germany and destroyed its powerful free labor movement, American labor interest in world affairs mounted still higher. This was evidenced not only in active and generous assistance to the victims of Nazi terror. Implacable hostility to every type of totalitarianism—Fascism, Nazism, Falangism, Peronism, and Communism—became cardinal to the policy and practice of the American Federation of Labor both in its relations with the labor movements of other lands and in its attitude towards the nation's foreign policy. Only in this light can one see clearly why the A. F. of L. leadership never embraced Vansitartism, consistently scoffed at the appeasement of Soviet imperialism (Yalta), and was among the first to recognize that, after the destruction of the Hitler dictatorship, there had arisen a new and even graver danger to human freedom and world peace—Soviet Communism.

In this connection, let none forget that American labor opposed Communism with no less vigor or consistency from the moment it foisted its dictatorship over the Russian people. Fully aware of the Communist threat to human dignity and free labor, the A. F. of L. opposed American recognition of the Soviet regime. Moscow's seizure of half of Europe in consequence of World War II, its mounting direct and indirect aggression and its worldwide subversive Communist conspiracy operating with dangerous stealth through the so-called World Federation of Trade Unions (W.F.T.U.) led the A. F. of L. to step up its interest in world affairs. It redoubled its efforts to protect and promote international free trade unionism and to seek its unification into a world body excluding all state-controlled "unions"

and Labor Fronts (Communist, Falangist, Peronist). Simultaneously, the A. F. of L. sought to have our country develop an effective democratic American foreign policy. These positive activities were to provide the best bulwarks against the Communist menace to freedom, free labor, social justice, human well-being and peace.

#### A SIGNIFICANT DECISION

In pursuit of this course, the A. F. of L. Convention (November 1944) formed the Free Trade Union Committee with the late Matthew Woll as its Chairman and William Green as its Honorary Chairman, and George Meany and David Dubinsky as its executive members. On this occasion, the Convention adopted a resolution which read in part:

“ . . . Liberation offers no automatic assurance that freedom and democracy will be restored or that the workers of each country will regain or be secure in their rights as free men and free workers.

“The record of free, democratic trade union movements in all lands during the past decade and particularly during the war has demonstrated that they are the firmest pillars of peace and democracy and the most uncompromising foes of all forms of tyranny and aggression.

“Only the earliest possible re-establishment of powerful, free and democratic trade unions can protect the workers of each nation, assure a constantly rising standard of living to them. . . .

“It is the firm conviction of American labor that crushed and impoverished labor movements mean oppressed and underpaid workers. Thus, in helping workers abroad to rebuild vigorous and democratic trade unions, the seven million members of the American Federation of Labor feel that they are also ensuring their own rights and their own living standards.

“The coming years will be grave and solemn. At this critical period in the world's history—now that we have won a victory of arms—we must also fight with determination for a victory of ideas. Free trade unions, by their very nature, are the implacable enemies of dictatorship and injustice. And to assure a world of freedom, peace and justice the American Federation of Labor will do its utmost to help strengthen the free labor movements of the world.

"This is the purpose of the Free Trade Union Committee of the American Federation of Labor."

The approach inherent in the above declaration makes it clear that American labor interest in world affairs was not limited to the trade union field, vital as it is. This interest was imbued with a deep sense of social responsibility, as can be seen from the following explanation by Matthew Woll.

"The vitality of a democracy is directly proportional to the vitality and dynamism, to the initiative and energy manifested by the voluntary organizations in the community. In fact, the extent to which any society is truly democratic can be best measured by the extent to which the people themselves—through organizations of their own choice and direction—mold the policies of their government and have their federal, state, and local administrations respond to the popular will. . . . Herein lies the inestimable importance of the voluntary organization as the most vital force for democracy.

"In our country, as in other highly developed industrial nations enjoying the rights and benefits of democracy, the largest voluntary form of organization is the free trade union movement. And given a healthy democratic society, the organized labor movement is bound to grow not only in numbers, but in influence, not only in size, but in service to the people as a whole, to the nation as a whole in its role in the international arena no less than in its domestic pre-occupations.

"The role of the A. F. of L. in the molding of a democratic foreign policy for our country is extremely interesting from the above viewpoint. . . .

"In its interest in world labor, the A. F. of L. is acting in accordance with the best traditions and highest ideals of the working people of our land. The cause of labor is global, universal, as international as the human race itself.

"In its interest in foreign affairs, in the foreign policy of our nation, the A. F. of L. is not only discharging a duty which our entire citizenry must fulfill, but is actually rendering a great and special service to the American people. . . . Given the present critical world situation, the foreign policy of our government is of the most intense concern to every citizen.



It involves the very existence of America as a democracy and of our people as a free and progressive nation.”

(International Free Trade Union News, Vol. 8, No. 5, May, 1953).

#### ESTIMATE OF WORLD CRISIS

This emphasis on devotion to freedom and democracy, as labor's paramount interest, is basic. This realization that the Communist threat to human liberty is at the very core of the world crisis continues to permeate the outlook and all the policies of the united American labor movement in the realm of world affairs. The Resolution on Foreign Policy unanimously adopted by the First Constitutional Convention of the American Federation of Labor and Congress of Industrial Organizations on December 7, 1955 thus significantly stressed this viewpoint:

“Unlike preceding international crises, the present struggle between the Communist dictatorships and the free world is not a collision between two power blocs, in the old nineteenth century sense, but between two conflicting ways of life—democracy (despite all its imperfections), and Communist totalitarianism with its all-embracing program of world conquest and transformation. Soviet imperialism seeks to subvert and conquer the free world and remold all society in line with its Communist preconceptions of a new social order. This vital difference between the old imperialisms and the new Soviet imperialism accounts for the continuous character of the present crisis as distinct from the preceding ones. The A. F. of L. and C. I. O. have notable records of opposition to world Communism and Soviet imperialism. Both have also resolutely opposed Fascism, Nazism, Falangism, Peronism, and every other form of dictatorship. The united organization that has grown out of the merger of the two American trade union centers will not slacken in that opposition.”

Historians of American labor participation in international affairs have a rich field before them. Particularly since the end of World War II, has American labor engaged in many and varied international activities. These were not limited to a single country or continent. These activities have been global. They have taken on many forms. They have occurred as American labor actions—sometimes conducted solely by the A. F. of L., C. I. O. or AFL-CIO; often in close

cooperation with other labor organizations, other affiliates of the International Confederation of Free Trade Unions (I.C.F.T.U.); and, of course, under the banner of the I.C.F.T.U. whose strongest and most generous constituent group is the American affiliate.

#### ESSENTIAL FEATURES OF AMERICAN LABOR STRATEGY

At this point, let me indicate the strategy underlying these numerous activities rather than recount the details of any specific action or campaign. George Meany, when he was Secretary-Treasurer of the A. F. of L., in an address before the Catholic Labor Alliance, on March 13, 1951, laid down the seven essential features and principles guiding the strategy and approach of American labor in its international activities. Mr. Meany then said:

“(1) There is nothing—and there can be nothing—in common between Communism or any other form of totalitarianism and democracy. Hence, there can be no partnership or united front of even the most limited sort between Communism and our democratic way of life.

“(2) Without democracy there can be no free trade unionism. Without free trade unionism there can be no genuine democracy. Hence, the free trade unions must be in the forefront of the struggle against every expression or manifestation of opposition to democracy or free labor, against every phase and practice of the Communist and every other type of totalitarianism.

“(3) Since labor is the first target of Communism and is the first one to be enslaved by Russia's Communist quislings, labor should be the first one in the land to reject, resist and defeat all Communist infiltration and machinations. To us, in the American Federation of Labor, Communist infiltration at home is the prerequisite for—and a phase of Soviet invasion from abroad.

“(4) Communism today is not a progressive but a reactionary anti-labor force. Its aim is not to eliminate but to exploit the shortcomings and evils of our society—solely with a view of softening up our country so as to make it an easier target for assault, invasion and conquest by the war lords in the Kremlin. Today, the Communist movement is nothing else but an agency of a hostile foreign power—an auxiliary arm of the gigantic Soviet military machine whose primary

Communist problem or peril was global in nature. This was dramatized forcefully in the Korean crisis. Almost one year to the day before the Moscow-directed assault against the Republic of Korea was launched, the A. F. of L. sent the following cable of advice and warning to the then Secretary of State Dean Acheson:

“Pending clarification and determination of definite United States policy towards China, the A. F. of L. strongly urges that our government should not withdraw all troops from South Korea on July 1. The Korean and Chinese problems are closely inter-related and inseparable. We, therefore, propose that a minimum of 5,000 American troops be kept in South Korea or be sent there from Japan. This token protecting force will be symbolic of America’s determination to safeguard Korean national independence and deter Russia and its huge army of armed Korean stooges in the North from swallowing South Korea and enslaving the entire Korean people.” (June 24, 1949).

We felt that it is impossible to defeat Communism in Europe while yielding to it or even supporting it in Asia or elsewhere. That is why, American labor has centered some of its heaviest fire against efforts to appease the Chinese Communist aggressors by recognition of the Soviet-imposed Mao Tse-tung regime and its admission to the U.N. In facing the latter phase of the problem, the AFL-CIO Constituent Convention laid down certain basic principles to determine the conditions for admission to the United Nations. These apply to Outer Mongolia, Falangist Spain, the puppet Kadar regime of Hungary and to other regimes of their type which might come before the U.N. in the future. The unanimous decision of the Foundation Convention of the united American labor movement in respect to this problem follows:

“Our government should firmly adhere to the policy of prohibiting the admission into the U.N. of any regime which (a) has been imposed on any nation by a foreign power, (b) which exercises effective control of the country only through denying its people the fundamental human rights specified in the U.N. charter and (c) which is engaged in war or has been found guilty of aggression against the U.N.”

During the U.N. negotiations at Panmunjon it was material presented by the Free Trade Union Committee which proved decisive in dealing with the problem of forced repatriation of war prisoners.

purpose is the conquest and the destruction of American democracy and the enslavement of the American people.

“(5) In its fight against Communism, in its positive fight for democracy, the American Federation of Labor conducts its activities as an independent force. We are totally independent of any government control or influence. At times we may agree and cooperate. At times we may disagree. But at no time can we serve or act as an agency or dependent of our government. It is this independent role of the A. F. of L. which has lent great potency, prestige and effectiveness to our domestic and foreign activities against the Communist scourge.

“(6) It is the cardinal rule of the A. F. of L. that, to be successful in the struggle against Communism, democratic labor must always have the initiative, be continuously on the offensive and carry the fight to the Communists—right into their own camp. In our struggle with the Communist elements which have tried to gain control of the labor movement in various ways during the last thirty years, we have always taken the offensive. We have not allowed them to choose the battleground, nor have we allowed them to decide when the battle shall take place.

“(7) Finally, it is the firm conviction of the American Federation of Labor that the most effective way of fighting Communism is through the voluntary methods, primarily through voluntary action by labor itself, through labor serving as the most dynamic spokesman of a democratic foreign policy for then there will be fewer totalitarian germs to plague us. If we do not give Communism any causes, we will not have to spend any energy fighting against its poisonous and pernicious effects.”

More than four years later, as President of the A. F. of L., George Meany further developed this philosophy of American labor in the field of international relations at the Fourth World Congress (Vienna) of the International Confederation of Free Trade Unions. In his address: “Free Labor Cannot Be Neutral,” delivered on May 24, 1955, George Meany underscored the following meaningful viewpoint:

“ . . . When we look at foreign affairs as citizens of our own countries, or as delegates to an ICFTU congress, never let us

lose sight of the fact that there is a trade union yardstick, there is a workers' yardstick that can be applied to measure any treaty or any inter-government agreement. That is the yardstick of human progress, the yardstick of human values, the yardstick of whether or not workers are free, whether their freedom will be affected. I say to you here this morning, for the American Federation of Labor, and for all the American organizations, that we are extremely aware of this present-day menace to our freedom, this threat to the existence of the free trade union movement. . . .

"In this current world crisis, governments, even democratic governments, in an effort to keep the peace, may make an arrangement with totalitarian governments. Labor must apply to all these negotiations, to all such treaties, the yardstick of the practical trade union: Are the workers free? Is the freedom of the workers being destroyed in any manner?

"My own nation has an agreement, signed over the protest of the trade unions of our country, with Falangist Spain; but that hasn't changed the attitude of the American trade unions. We still recognize Falangist Spain as a destroyer of human rights, as the sponsor of a pseudo-trade union organization that actually is an instrumentality of the state pressed down on the backs of the workers. We take the same position in regard to Peron's Argentina, no matter what feeling our government may have. We take the same position on Venezuela and any other country that refuses to allow its workers the freedom to gather one with the other in an effort to build up the standards of all. We take the same position on Tito's Yugoslavia.

"In the final analysis, it does not make any difference what the color or shade of the particular dictatorial regime is, whether it be Fascist, Titoist, Communist, Peronist or Falangist. Insofar as the worker is concerned, each has one effect. It destroys his freedom, destroys his opportunity to improve his conditions of life by collective action, through the instrumentality of a free trade union."

#### PHILOSOPHY OF AMERICAN LABOR

While the above formulations are centered on foreign policy, on the world crisis and labor's role therein, there is a broad philosophic approach in them. Here is reflected a viewpoint which is the key to the policies of American labor in its relations with labor in other

lands, with its own government and employers at home. David Dubinsky, President of the International Ladies' Garment Workers' Union, dealing with this phase of American labor policy was precise and clear when he wrote:

"The experience with the W.F.T.U. confronts world labor with a number of vital questions involving fundamental policy, everyday practice and long-range perspective. The basic reason for A. F. of L. opposition to the creation of the World Federation was that the trade unions in the non-totalitarian countries were fundamentally different in nature and purpose from those under totalitarian regimes and, therefore, could not function together in one international labor body. This had been clear to members of the American Federation of Labor for some time. In democratic countries, trade unions are voluntary institutions. They are organs of large sections of the working people, grouped according to their jobs and skills, not according to political belief, and are dedicated primarily to the defense and promotion of the rights and interests of labor. In this capacity, the trade unions are free agencies which can and often do exercise considerable influence on governmental policies and legislation. Free trade unions are instruments for making democratic governments more responsive to the wishes and interests of great masses of the people.

"In totalitarian countries, on the other hand, the process is completely reversed. Instead of the unions helping to determine the policies of the government, the governments determine the course of the unions. The trade unions are instruments of the government—used by it to impose its will on the masses of the people. This was the unbridgeable difference between the Nazi Labor Front and the trade unions in the United States, Britain, Scandinavia and other democratic countries. This continues to be the unbridgeable chasm between the Communist unions and the labor unions in our country. . . .

"While the Soviet 'trade unions' act inside the U.S.S.R. as agents of the Government and its various departments charged with managing Russian economy, their role on the international scene is that of instruments of Soviet foreign policy and nationalistic expansion. That is why in the 1930's the A. F. of L. opposed every move to affiliate the Soviet unions to the International Federation of Trade Unions; it even

threatened to withdraw if they were admitted. Significantly, the unions in Great Britain and other countries, which at one time favored an alliance with the Russian unions, were motivated by political rather than trade union objectives, stemming from the situation in foreign affairs prevailing at the moment, i.e. the need to form an alliance between the democratic countries of Europe and Russia against Nazi Germany. In 1945, the alignment with Russian unions and the creation of the W.F.T.U. were thought of as duplicating the pattern of cooperation of the Big Three at Teheran, Yalta and Potsdam. . . .

"The free trade union movement is a bulwark of democracy, indispensable to its defense and progress. No effective cooperation of the democratic countries is possible without world cooperation of free labor. Postwar economic reconstruction will stabilize democratic institutions and enhance their progress only if it is accompanied by improved living standards for the working people everywhere. The safeguarding and improvement of the living standards of the working people are the first task of the free trade unions. In the present world situation, this can be achieved only by international action. The international solidarity of democratic labor and the world-wide and lasting cooperation of the free trade unions are an indispensable practical goal."

Though written about eight years ago, the above evaluation by Mr. Dubinsky is still valid for labor. It is the heart of the approach of American labor and the International Confederation of Free Trade Unions to the "unions" which are permitted to exist behind the Iron Curtain and under dictatorships of all stripes.

The above cited statements indicate the fundamental guiding lines of American labor policy in the realm of world affairs and international labor relations. Let me now deal with some of the specific problems and situations, which have confronted our labor movement and our country and still confront all mankind. Let us see how the philosophy of our labor movement served to guide its policies in these situations.

#### OBJECTIVES OF AMERICAN LABOR'S INTERNATIONAL ACTIVITIES

American labor has three vital objectives in all its international activities. These are: (1) the preservation of peace; (2) the pro-

motion of freedom; (3) the furtherance of human well-being. These three objectives are organizationally inter-related. Peace without freedom is the peace of the cemetery or slavery. Where there is no freedom, the danger of aggression and war is greatest. Poverty provides a fertile soil for dictatorship. And dictatorship, or the denial of freedom, robs the workers of the use of such indispensable weapons for achieving better conditions of life and labor as freedom of association and organization—the organization of bona fide free trade unions which are the most effective organizations for securing economic improvement and enhancement of the status and stature of labor in the community as a whole.

In line with these objectives, American labor has advocated and supported the strongest resistance to Soviet aggression and Communist subversion as manifested in the case of Stalin's threats against Iran, the Communist civil war against the Greek people, and the Berlin blockade. American labor has recognized the very great importance of Germany in the European and world situations. The A. F. of L., in particular through the recent years, has given major attention to the need of developing an effective American policy for attaining the unification of Germany in freedom.

Pursuing the aforementioned three objectives in the ranks of world labor, the A. F. of L. has, from 1945 to 1949, fought vigorously against the W.F.T.U. In this fight, which culminated in the free trade unions breaking with the W.F.T.U. and joining with the A. F. of L. and C. I. O. at the close of 1949 to found the International Confederation of Free Trade Unions, the Free Trade Union Committee was the spearhead and driving force. The activities initiated by the Free Trade Union Committee in the U.N. fight against slave labor, its initiative and drive for international trade union support for the European Recovery Program (Marshall Plan), its contributions to the preparation and adoption of the Declaration of Human Rights were among the most effective undertakings by the A. F. of L. in its efforts to end the illusions generated during the war about the possibilities of genuine co-existence between the democracies and the totalitarian Soviet Empire.

Had it not been for this militant and energetic drive by the A. F. of L., the W.F.T.U. would not have been broken up and the I.C.F.T.U. would not have been organized in December 1949.

#### GLOBAL APPROACH

It has been the consistent position of American labor that the



But neither in Europe, nor in Asia, nor Latin-America has the position of American labor been merely anti-Communist. We have been consistently anti-totalitarian — against Fascism, Falangism, Peronism, and military dictatorships as well as against Communism. We have likewise rejected all alliances or joint efforts with the reactionaries of other stripes. Their being opposed to Communism did not mean that we should cooperate with them.

In our opposition to Communism, we worked on the basis of a positive program. The basic features and ingredients of this program have been and are: (1) economic aid to the industrially under-developed countries; (2) support of the Point 4 Program on an expanded scale; (3) opposition to every type of colonialism—the old declining type no less than the new rising Soviet colonialism; (4) support of the U.N. Technical Assistance Program; (5) economic, political, and military cooperation among the democracies with a view of promoting the growth of an effective deterrent to Communist subversion, aggression, war and expansion.

In this spirit, American labor, more than three years ago, proposed the transformation of the NATO from a primarily military defense organization into a free world alliance for peace, freedom, social justice, economic advancement, and human well-being.

#### SOME SPECIFIC ACTIVITIES

American labor reacted promptly in evaluating the meaning and consequences of Stalin's death. We warned against any illusions regarding the "New Look" of Soviet Communism and imperialism. We pointed out that illusions about the Moscow dictatorship having changed its fundamental aims or its regime having become democratic and genuinely peaceful in its international aims and actions could only lead to the costliest appeasement of Soviet despotism and aggression. At the same time, we also stressed that whatever changes did occur in the Soviet Empire (de-Stalinization campaign, etc.) provided real opportunity for the free world, if it continued strong and united, to further the cause of freedom. The recent events in Poland and Hungary and the marked trend towards ideological disintegration in the world Communist movement have confirmed the soundness of the American labor approach towards an evaluation of the Soviet "New Look".

American labor has always distinguished between the dictatorial regime in Moscow and its puppet satellites on the one hand and the people of the U.S.S.R. and the captive countries on the other hand.

For the people, we have always had the highest friendship. For their oppressors at the helm of government, we have always had nothing but hostility. Hence, the A. F. of L. had no illusions about the Geneva Conference "achievements" in regard to Indo-China. We certainly did not fall for the "blessings" that came down on earth from the "Summit Conference" at Geneva.

None of these ordinary and extra-ordinary diplomatic conferences swerved us from our position in regard to the problem of disarmament, atoms for peace, cultural exchanges, trade union delegations, the plight of the satellites. In regard to these issues, the Resolution on Foreign Affairs adopted by the foundation convention of the AFL-CIO has put forward clearcut and positive proposals. For instance, in respect to the sending of trade union delegations to the Iron Curtain domain and to receive so-called labor representatives from these lands, the foundation Convention of the AFL-CIO has declared unmistakably the following :

"The AFL-CIO rejects, as a matter of principle, the idea of free labor sending delegations to any country which prohibits free trade unions, outlaws all free trade union activities, and penalizes workers for advocating free trade unionism—whether such country be Communist or Fascist or any other totalitarian hue. We oppose the Moscow-Peiping Axis maneuver to have free trade union delegations visit the Soviet slave orbit as a vital phase of the sinister Big Smile strategy calculated to confuse and divide the democratic camp. Moscow wants free trade union delegation visits to lend moral responsibility and legitimacy to its regime which has robbed its people of every fundamental human right, keeps millions of its subjects in slave labor camps, and denies the workers the right of freedom of association and organization, the right of genuine collective bargaining, and the right to strike."

In the aforementioned AFL-CIO basic foreign policy resolution, American labor has made clear its position in regard to the urgency of relying on U.N.-supervised free elections in all areas of tension in order to eliminate sources of conflict and assure a peaceful solution of the differences.

In recent days, the AFL-CIO has published a comprehensive study of post-Stalin Russia in the light of the decisions and exposures made by the Twentieth Congress of the Communist Party of the Soviet Union. This publication, entitled *The Greater Danger*, is

especially revealing in view of the Kremlin's drowning in blood the Hungarian democratic revolution and in view of the deep stirring of the people in Poland, Russia, the Baltic States and in other parts of the Soviet Empire.

In regard to the Suez Crisis, the AFL-CIO Executive Council has adopted a positive and specific resolution giving concrete proposals for securing a peaceful and just solution. The AFL-CIO Suez proposals are now being given careful and serious consideration by the U.N. and by the powers principally interested in the Suez situation. The most important proposals made by the AFL-CIO in its resolution on the "Crisis in the Suez", adopted by the Executive Council on August 28, 1956 are:

3. "Toward insuring the free use of the Suez Canal by ships of all nations at all times, we propose that: (a) There be established a Special Egyptian Suez Authority charged with operating the Canal in line with the present solemn international commitments already undertaken by the government of Egypt and in accord with the U.N Security Council Decision of September 1, 1951. (b) There be established an International Suez Authority—representative of the principal users of the Suez Canal—to work together with the Egyptian Suez Authority for insuring efficiency of operations, sound economy, and the maintenance of uninterrupted freedom of navigation. (c) Both the Egyptian and the International Suez Authority agree that, in the event of any differences arising between them, they will submit these differences to the International Court of Justice (Hague Tribunal) with full power to make decisions which shall be final and binding.

4. "Since the Suez crisis is part of the entire unhealthy situation in the Middle East, it is most urgent that the Western democracies redouble their efforts to eliminate every vestige of colonialist practice in this vital region and throughout Africa.

5. "Towards further assuring improved living and working conditions and the general well-being of the people of the various countries of the Middle East, the Economic and Social Council of the U. N., the appropriate U.N. technical agencies, and the ILO, together with the respective governments and representatives of the leading foreign investors in these lands, should prepare a program for increasing agricultural and industrial efficiency, promoting democratic institutions such

as free trade unions, enhancing purchasing power, and providing an equitable share for the people in the benefits accruing from the development of the great natural resources of this region.”

The policies and practical proposals of American labor in regard to the most recent crisis in the Middle East and the Soviet butchery of Hungary were adopted unanimously by the AFL-CIO Executive Committee in its session of November 30, 1956.

American labor has played a dynamic and positive role in solidifying the democratic and labor forces of Algeria, Morocco and Tunisia in their struggle for national independence and democracy. The consistent and vigorous anti-colonial position of American labor has been a very strong factor in preventing the Communists from gaining positions of vital influence in North Africa, in preventing these Soviet fifth columnists from exploiting—in the interest of Muscovite imperialism—the injustices inflicted on these freedom-loving peoples by French colonialism. The trade unions of these three nations are now affiliates of the I.C.F.T.U. The Kremlin's desperate efforts—through the French Communist Party, and its C.G.T., often favored by the French government—to control or gain a firm foothold in the rising trade union movements of Algeria, Morocco, and Tunisia—have failed. American labor activities in support of the North African democratic and free labor forces have been significantly fruitful in this respect.

#### RELATIONSHIP BETWEEN DOMESTIC AND FOREIGN POLICIES

It must be stressed that in all its extensive and varied overseas and international activities, American labor saw a clear and decisive connection between foreign and domestic policy. The AFL-CIO Convention Resolution on Foreign Policy thus declared:

“In every country, there is a close inter-relationship between foreign and domestic policy. Neither our government, nor any other government, can consistently pursue a genuinely democratic foreign policy, if it pursues a reactionary domestic policy. No government which wages war against its own people at home—by denying them their rights and liberties and by depressing their standards of life and labor—can be truly peaceful towards the peoples abroad and be worthy of their trust. A government guilty of aggression against its own people tends to be aggressive against its neighboring and other countries; now, therefore, be it . . . ”

RELATIONS WITH INTERNATIONAL CONFEDERATION OF FREE  
TRADE UNIONS

The A. F. of L. and C. I. O. were co-founders of the I.C.F.T.U. Both have made every effort to help build the world organization into an effective international labor body. Neither has been satisfied with the functioning or leadership of the I.C.F.T.U. American labor influence in the I.C.F.T.U. has been felt most in the realm of policy and least in the execution of policy. Since the unification of American labor, there has been no change in the AFL-CIO attitude towards and evaluation of the I.C.F.T.U. leadership and functioning.

Whatever change there has been in the I.C.F.T.U. since its Vienna Congress of May 1955 and since its Executive Board meeting of December 1955 has not served to improve its inner situation or its progress in the ranks of world labor. The generous material and other assistance rendered by American labor to the I.C.F.T.U. has yet to bear fruit and to meet the tasks thus specified in the Resolution on Foreign Affairs adopted by the First Constitutional Convention of the AFL-CIO:

“United American labor — the AFL-CIO — realizes the urgency of strengthening the organization and enhancing the influence and prestige of the International Confederation of Free Trade Unions (I.C.F.T.U.), and of ORIT, the Regional Organization to which we belong. We urge our affiliates to join and participate actively in the work of the various International Trade Secretariats. The I.C.F.T.U. will (1) become increasingly effective in promoting the economic interests, as well as the larger aspirations of labor, regardless of race, nationality, color or creed; (2) defeat the Communist attempts to subvert and destroy the free trade unions; (3) play an increasingly effective role in aiding the working people of the underdeveloped countries to establish strong free trade unions which shall play an ever more decisive role in improving the conditions of life and labor and in advancing the cause of national freedom and democratic rights of the people; (4) and in developing into a most powerful force for building a world free from the perils of poverty, the terror of all despotism and dictatorship, and the horrors of war.

“In this spirit, we shall encourage a greater knowledge of and a greater interest in international affairs among our membership, toward the end that the wage earners’ great stake in

our country's foreign policy will be more clearly recognized and reflected in its formulation and conduct."

My presentation of the subject "American Labor and the World Crisis" by no means covers every phase of American labor policy or activity in the field of international affairs. I sincerely hope that, despite its being ready at so late a date, it will be of some help in preparing an adequate discussion of this highly important question.

## DISCUSSION

FREDERICK H. HARBISON

*Princeton University*

As Mr. Lovestone has pointed out, the Free Trade Union Committee and the AFL-CIO have consistently opposed all types of totalitarianism, including Fascism, Nazism, Falangism, Peronism and Communism. They have refused to associate with government-controlled unions and the labor fronts of all totalitarian regimes. And in viewing foreign affairs, they apply the "free trade union yardstick" to appraise any treaty or any inter-government agreement. As President George Meany has said, "Labor must apply to all these negotiations, to all such treaties the yardstick of the practical trade union: Are workers free? Is the freedom of the worker *being destroyed in any manner?*"

Mr. Lovestone implies that one may make a sharp dichotomy between free unions on the one hand and state-controlled unions on the other. He indicates that it is a relatively easy matter to separate the sheep from the goats by some sort of litmus paper test which can detect beyond any doubt those labor organizations which are tainted by totalitarianism. I doubt whether the distinction can be made that sharply.

It seems to me that the difference between free unions and state-controlled unions is one of degree. Between a free labor movement such as ours and a captive labor movement such as that of the USSR, there are scores of labor organizations characterized by varying mixtures of freedom and state control. A basic reality of the modern world is that the role of government in economic life covers a broad spectrum. For example, there is no sharp division between statism and free enterprise. In the United States, dynamic private enterprise is a reality; in some other countries private industry is cartelized with government sanction; in still others there is far-reaching economic planning under democratic socialism; and in a few countries government control is absolute and freedom is rejected both in theory and practice.

The distinction between freedom and control is particularly hard to make in the underdeveloped countries which are now starting on the course of rapid industrialization. Let us take, for example, the case of Egypt.

Unions in Egypt are encouraged by the government. At the same

time they are subject to rigid government regulation. Strikes are for practical purposes outlawed. Major disputes are adjudicated by compulsory arbitration. There is a requirement that all union officers must be selected from among the workers in the shop. Although Egyptian law provides for a union shop in most cases, it also regulates the manner in which a union's income should be spent. And, Egyptian unions are required by law to confine their efforts to collective relations with employers, and are prohibited from participating in unauthorized political activities. It is abundantly clear that Egyptian unions and Egyptian workers are subject to a large measure of state control.

Nevertheless, unions in Egypt have contributed significantly to enhancement of the welfare, freedom and dignity of Egyptian workers. They have made demands upon employers for wage increases and improvements in working conditions, and they have won tangible benefits by pressing their demands before government tribunals. In significant respects, Egyptian unions have been able to restrict management's right to discipline without cause, and they have been able to win grievance cases for their members.

Now, judged by U. S. standards, Egyptian workers are not free, and Egyptian unions in many respects owe their very existence to the State. Yet Egypt has never had in its entire history any genuine democratic institutions. The Farouk regime was not only despotic but corrupt as well. The Nasser Regime is by no means democratic, but it has pressed forward land reforms, provided honest government, and given industrial workers and unions more encouragement and freedom than they had ever known before.

I repeat—the Egyptian worker is far from free in the absolute sense; yet it is likewise true that he enjoys more freedom today with his present unions than he ever had dreamed of before. Perhaps most significant is the fact that hundreds of plant workers—many of them still wearing their galabias—are now union functionaries, and they are learning how to represent the interests of their fellows, even though their unions are still closely watched and regulated by the government. I would say, therefore, that in terms of the traditional Egyptian setting, the present union movement is making a very significant contribution toward enhancement of the freedom, dignity and worth of Egyptian labor.

I presume that most of us here would brand the Soviet unions as phonies, and the same would apply to the labor movements of the Russian satellite colonies. At the same time, we all probably have a



high regard for the workers who organized last summer's Posnan uprisings and for the courageous leaders of the Hungarian works councils. A year ago we might have assumed that all workers' organizations in Poland and Hungary were little more than the tools of totalitarianism. Did they just spontaneously decide on the spur of the moment to strike a blow for freedom, or had they been slowly and quietly working for months or even years to improve little by little the lot of the workers they represented? Can we assume that the union leaders in East Germany and in the other satellites today are just stooges? I don't know.

My suggestion is that Mr. Meany's yardstick—"are workers free and is the freedom of the worker being destroyed in any manner"—be a *relative* rather than an *absolute* measure. A little progress toward freedom in countries which have never experienced democratic institutions is much more significant, I think, than "snow-white" freedom in countries with deeply rooted democratic traditions.

The *relative* rather than the *absolute* yardstick is particularly needed in appraising the progress of underdeveloped countries which are now under strong economic and political pressures to industrialize as rapidly as possible. These countries are faced with a dilemma. If they industrialize very rapidly, they must make painful sacrifices—and even forego rises in living standards in the short run; and if they industrialize too slowly, the living standards of their people will be depressed in the long run. If they are bent on rapid industrialization, they may be forced to adopt some of the methods of totalitarian regimentation, following the example of Russia or more recently of Communist China. But, if they lay too much stress on short-run improvements in welfare, their rate of economic growth may fall behind the rate of increase of their populations. Here lies the great challenge to the advanced free world. Can some means be found to enable the underdeveloped countries to industrialize with adequate speed without sacrificing human values and political democracy on the altar of economic progress?

We cannot expect these newly industrializing countries—many of them just emerging from colonial status—to copy our private enterprise system and our system of free trade unionism. These countries will quite understandably attempt to exert far-reaching control over both enterprise and labor organizations for many decades. On the other hand, we certainly don't want these countries to copy the institutions of the Soviet Union. Realistically, perhaps the best we can expect is that these industrializing countries will follow a middle

course somewhere between ours and that of the more fully developed totalitarian regimes. In the long run, our policy should be to help the industrializing countries follow the course of development best suited to their particular needs, while hoping that the organization of their institutions for economic growth will be influenced more by our ideas than by those of our totalitarian competitors.

Except in a handful of countries, labor unions are neither free nor independent. In most countries, workers are not really free to strike, and in many they are not even free to organize. Furthermore, unions in nearly all countries are appendages and instruments of political parties, and in cases where a single political party acquires control of the government, these unions may quickly become instruments of the state. The point I wish to stress is this: American trade unions, which are independent from political parties and relatively free from government control, like American private enterprises are quite exceptional institutions, and it is doubtful whether our forms of capitalism and unionism can ever be transplanted full-blown to other cultures. Thus, any evaluation of the extent of freedom enjoyed by workers should be made within the context of the conditions, history, traditions and cultures of particular countries. The really valid criterion, I feel, would be the *direction of development* of unions and worker organizations. If they are progressing *toward* greater freedom even though they are still subject in many respects to state domination, I would consider them to be highly desirable and constructive institutions. Thus, I feel that a "directional compass" rather than the "trade union yardstick" might be the more useful instrument for detecting progress toward greater freedom and dignity for working men and women in this modern world.

EVERETT D. HAWKINS

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The role of trade unions in the United States and many other countries in struggling for freedom and voluntary, democratic action, and in being opposed to all forms of totalitarianism and dictatorship cannot be stressed too often. Mr. Lovestone made these points abundantly clear, but, even though the speech included many more ideas than the paper, three areas were relatively under-emphasized: 1. Although the pragmatism of Samuel Gompers was discussed briefly, little mention was made of such specific measures as organizing trade unions, raising standards of living or bargaining

collectively.<sup>1</sup> 2. Although several AFL-CIO statements were included, practically no mention was made of the role of the CIO as such in international affairs,<sup>2</sup> and there was no discussion of any differences in objectives, strategies or tactics in international affairs between former AFL and CIO leaders. 3. Until the end relatively little mention was made of the role of the ICFTU.

Of course, these understatements might be explained on the ground of lack of time, but when added together they reflect a basic point of view which needs to be challenged—at least by a person recently returned from Indonesia. My comments, therefore, spring specifically from my second experience with Indonesian trade unions, management groups and labor officials.

I would like to discuss briefly six inter-related suggestions:

1. Trade unionism should play a more active role than currently in working with unions in under-developed countries and should adapt its techniques and procedures to the particular situation in each country, i.e. the peculiarities of the labor movement, the shifting political scene, and the state of economic and social development. People who are sent abroad are warned by anthropologists about the dangers of ethnocentrism—judging people and their problems in terms of one's own set of values rather than in terms of their own culture. Trade unions, like business concerns, and more lately even the Government, should adjust and adapt their programs to the needs and wishes of the people of each foreign land rather than try to fit them all into a single American mold. Like the Indians and the Burmese, the Indonesians want to have time to develop their own country without becoming entangled in the battle between the two major super-powers.

2. In a country like Indonesia the trade union movement should start by helping the unions organize, educate their membership, and train their leaders rather than concentrate on anti-Communist propaganda. This was forcefully brought to my attention by a non-Communist trade union leader in Indonesia, when he said: "You Americans come over here and tell us that the big problem is to fight Communism. As unionists we think our main job is to raise the terribly low standard of living that the workers face here in Indonesia." <sup>3</sup>

<sup>1</sup> Slight mention on pp. 12, 13, 18 and 21 of the paper.

<sup>2</sup> Slight mention on pp. 6, 14, 20.

<sup>3</sup> David Dubinsky would seem to agree as cited by Lovestone: "The safeguarding and improvement of the living standard of the working people are the first concern of the trade unions." p. 12.

Trade unionism has historically played a major role in using primarily economic but also political pressures to improve the conditions of the great mass of the working population. To continue in business employers have had to improve methods and techniques. This has resulted in many countries, especially in the United States, in more goods for the public, more wages for the workers, and also more profits for management.

3. In a country like Indonesia, with its emphasis on an independent foreign policy, American labor would do well to work with the free trade union movement of the rest of the world. The ICFTU had gained some ground in Indonesia through the efforts of its representative, Mr. K. Larsson, from the Swedish trade union movement.<sup>4</sup> Unfortunately Mr. Larsson had to return to his country and the whole ICFTU operation in Indonesia was left with an able, but very busy young Indonesian in charge of the office on only a part-time basis. This is really amazing neglect in a country where the largest and strongest federation, SOBSI, is a member of the WFTU. Since the assistance of trade unionism may be more acceptable and more effective at a given period than at other times, continuous contacts between the labor movements should be maintained to know when is the propitious time to extend the program. In non-sensitive posts American trade unionists may also be helpful, but they should work with Indonesian leaders and unionists from other countries in trying to reach the rank and file. Some "foreign experts" have dealt with certain Indonesian non-Communist political and trade union leaders who speak English and are educated so well that their outlook is really white-collar (Pegawai) not worker (Buruh). These leaders often head relatively small unions made up largely of skilled and white-collar workers, while the Communist trade unions have been more successful in organizing the bulk of the workers.

4. The AFL-CIO should develop a united program in international affairs. If it is impossible immediately to achieve complete unity, the two sides might reach a stage where each would not have to spend so much of its effort in preventing action on the part of the other. If the two sides persist in maintaining their separate positions, the danger is that nothing on a scale commensurate with the world crisis may be undertaken.

5. As a specific suggestion, the AFL-CIO might arrange a major program this coming year for trade union delegates from all over the

<sup>4</sup> Mr. Larsson was greatly assisted by Mr. Vidkunn Ulriksson, the U. S. Labor Attaché in Djakarta.

world.<sup>5</sup> The leaders of the pawnshop workers union in Indonesia told me almost plaintively that they would like to visit trade unions in other countries, but the only one that had invited them was Communist China for May Day. Why not start the program in 1957 with a Labor Day celebration, followed by short study tours in various parts of the United States, and ending with the AFL-CIO Convention?

6. All of these suggestions will require larger funds than are now available. Several sources might be tapped. In the first place trade unions alone, or in cooperation with university programs, might secure ICA contracts for labor training programs. Second, the Rockefeller Foundation and the Ford Foundation have already made some grants in the labor field. Third, there may also be some funds available from "unvouchered" sources, but it would seem advisable not to use such funds since the essence of trade unionism is open, democratic procedure not secret, clandestine operations. Fourth, perhaps the most important source of funds would be the union members themselves. Until the next convention of the AFL-CIO a large-scale program, reaching down into every trade union local in the United States, might be accelerated to raise funds through voluntary contributions for the international program. A more permanent suggestion would be to have the AFL-CIO raise the per capita tax by one or two cents per month to provide a fund approaching two to four million dollars a year.

These six suggestions are offered with full realization that each one entails real difficulties, but the obverse dangers of too little, too late, and too divided may be the greater enemy of labor as it tackles its important role now in international affairs.

<sup>5</sup> Such a short trip open to leaders, even if they were not free to leave the country for a longer period, would be very different from the longer study programs arranged by the ICA, USIA, and ILGWU (Rockefeller).

PAUL FISHER\*

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Mr. Lovestone's stimulating presentation suggests among other things answers to two questions which have interested many observers for a long time: (a) How to explain the large degree of coincidence between American Labor's and the American Govern-

\* The viewpoints expressed in these comments are the personal opinion of the panelist and in no way represent those of any agency of the U. S. Government.

ment's views on foreign policy, and (b) how to reconcile the great interest Labor displays in this field with the usual views held by the Social Scientists as to the nature of the American Labor Union.

It is an essential characteristic of a democratic society that neither all individual citizens nor the voluntary associations of economic interest groups necessarily share the viewpoint of the government in all matters of domestic and foreign policy. In many countries organized labor has occasionally strongly disagreed with the government's foreign policy. For instance, French and German labor, as well as the IWW, opposed the participation of their respective countries in World War I. More recently, British labor opposed Mr. Eden's Suez policy. Hungarian workers demanded the termination of that nation's adherence to the Warsaw Pact. American labor, however, has since Gompers' day, an almost unbroken record of support for the major objectives of U. S. foreign policy. As the paper points out, this general and generous support did not rob labor of the right to criticize and vigorously oppose government implementation of the policy. It did not deprive labor of jealously guarded and freely exercised full freedom of action within its own sphere of influence. U. S. Labor-Government relations display many features of the relations between two sovereign powers. Cooperation leaves the basic independence of labor completely intact, and power-conscious labor will not hesitate to differ audibly on such questions as U. S. relations to Spain or Yugoslavia, *urbi et orbi*. There is no doubt that labor could apply the same techniques it uses in its attacks on many issues of U. S. domestic policy to the foreign field. If labor has not done so in general, then this cannot be attributed to weakness or docility, but to the remarkable fact that for a long period of time its views on the essential direction of this country's foreign policy happen to agree with those held by our government.

Nor is this basic agreement a result of sheer coincidence. Obviously, the policy of a government responsive to public opinion, supported by all parties, may satisfy a greater number of people, including large numbers of workers, than that of a despotic dictatorship favoring one economic group at the expense of others. I submit, however, that the basic agreement on foreign policy requires in addition certain attitudes on the part of labor, which to save time are stated—and perhaps overstated—here in the form of three stipulations:

For a government and labor to reach identical conclusions on major foreign policy aims, the labor movement

- (1) must accept, approve of, and support the basic characteristics of the society in which it functions; it must have a stake in the preservation and normal development of the prevailing economic system and form of government;
- (2) consequently, it must view major threats to the clearly understood interests of the country as threats to labor's ability to survive and to serve the interests of its members; it must equate a danger to the larger community with a danger to its own continued existence.
- (3) Finally, and this may shock some of us but it follows logically from the first two theses, it must think in terms of the interest of the nation; it must pursue a *nationalistic policy*. Enlightened nationalism does not preclude international action. Just the opposite, it looks to international cooperation as one important, and in certain cases the only way, of reaching the twin ideals of a peaceful and prosperous society. The labor movement has indeed displayed a far greater interest in the creation and active participation in international bodies than any other American economic group. But a clear orientation to the national interest clarifies also the limits of international activities and prevents such bloodless platitudes as the "universal brotherhood of the workers of this world"—the stock-in-trade of the communist agents—from beclouding real issues. Identification of organized labor's interests with that of the country where it functions is, of course, not an American monopoly but prevails in all major nations of the Western World and has to be recognized as such.

If the foregoing statements could be accepted, the few disagreements on foreign policy measures between U. S. labor and the U. S. Government fall easily into place as examples of differences in judgment. Labor and government may differ in their appraisal as to how much a threat certain dictatorships represent for their respective survival. Labor—and nobody would be bold enough to dispute its right to think so—feels that the continued existence of a state of affairs which suppresses the freedom of workers to organize anywhere, in any country regardless of size, presents a danger to liberty, to the principle and its American application to labor-management relations. Government, responsible to a larger constituency, balancing many additional considerations, seems to hold a different view as to the magnitude and imminence of the danger these countries hold for the United States.

Some of the disappointment noted in Mr. Lovestone's paper with the activities of the ICFTU—and he could have added with the ILO and some of the International Trade Secretariats—results from American labor's inability to persuade these instrumentalities of international cooperation to pay more attention to the legitimate goals of American labor's foreign policy objectives. Conflicting goals of the equally legitimate policies of the similarly nationalistic motivated labor movements of the other constituents of these bodies, limit—occasionally all too soon—the degree of obtainable cooperation and usefulness. This does not negate the importance of these international labor institutions, but merely suggests that some foreign policy objectives can only be attained through national instruments.

The second type of question Mr. Lovestone's paper raised in this commentator's mind refers to the problem of reconciling the considerable and growing preoccupation of American labor with international issues, with the picture of the union as a primarily economic institution for the protection of the job interests of the membership, and/or as a political organization in the sense developed by Professor Ross. For brevity's sake, the following remarks are again condensed in a few statements.

- (1) Let us postulate that Meatcutter John Doe in Kansas City does not care a hoot about the struggle of the Pakistan workers, or about Pakistan itself. Let us admit that many local and quite a few national union officers do not always think of foreign policy as a proper subject of union concern. But let us not forget, on the other hand, that labor's interest in this field has its roots in the desire to fend off any external threats to union ability to protect and improve the social and economic interests of the American worker. World War II; Korea; rearmament and disarmament; competition of imported goods; governmental foreign aid programs; and, above all, the unceasing educational efforts of the unions themselves, have gone far in dispelling innate isolationist feelings. Foreign labor matters are increasingly brought home to the local union level, and if the record of votes on foreign policy resolutions brought before the national convention of our great Federations can be trusted, meet with the approval of the membership. To the extent that the local and national unions debate the foreign policy actions of the Federations, they depart from the simple economic model of our literature, leaving the latter somewhat in need of repair. Ross' emphasis



on the basic political character of the union as a living social organism was never intended to deny union interest in international matters, but merely pointed to one aspect of unionism which had been neglected heretofore. The insight his approach provided may enable future research to evaluate better American union's behavior in the International Trade Secretariats, as well as before the U. S. Tariff Commission.

- (2) Nor can we neglect the fact that labor's preoccupation with international issues does not lie with the local and only in exceptional cases with the national union—the phenomenon which has been so exhaustively explored by the Social Scientist and to which his definitions apply; that they are not even the exclusive property of a particular Federation, but that these functions belong to a much larger body, the American labor movement. AFL-CIO, the Mine Workers, and the Railroad Brotherhoods are frequently seen to combine and—regardless of any existing differences in the domestic field—to be able to reach an American labor position on international issues. Research in the international field may therefore find it profitable to direct its attention to this admittedly vague and obscure, but rewarding, subject, the policies of the American Labor *Movement*.
- (3) I mention the American labor movement since it, as well as all its constituent parts, deserves credit for—to use Mr. Lovestone's phrase—a degree of social responsibility unsurpassed by any other organization of labor or other economic interests anywhere. Fully aware of the economic and political consequences of its action, American labor has consistently put the welfare of the American community above the narrower labor interest. While most other economic interest groups remain silent on general issues and are heard only on specific problems of immediate, short-run implication for their constituency, American labor has given freely and courageously of its counsel. What is more, it has never sacrificed principle to expediency and, in consequence, has turned into one of the most important voices of the conscience of this nation.

ABRAHAM J. SIEGEL

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Lovestone has presented the main elements of the contemporary policy views and action patterns in international affairs which are formulated and pursued in the name of the American Labor movement.

The surface tones are clear, the substantive content compact and simple to comprehend, the temper optimistic and undoubting. Probing beneath this surface simplicity, however, one can enumerate a number of questions—and a number of proposed answers—which call out for elaboration and review.

Now this should elicit no great surprise; for, surface simplicity notwithstanding, Lovestone has encompassed in his paper a rather staggering array of subject and policy matter. The intricacies and the complexities of the interrelationships which are dealt with can be spotlighted rather effectively if one outlines the scope of the paper.

What does the paper deal with?

1. First, there is a judgment of fact concerning a global value judgment about the long-run objectives to be sought out and incorporated in the "good society." These are interspersed at various points in the paper and can be capsulized by adding to the Peterloo cry of "Bread and Liberty" a third objective, Peace. Bread, Peace and Freedom at a global level have been explicitly adopted as the ultimate ends of the federation which in a faraway time claimed no ultimate ends.

2. Second, there is a formulation of interim objectives and priorities which may be regarded as means designed to permit and pave the way for the emergence of these broader aims. These consist essentially of (a) vigorously protecting and promoting free trade unionism and the international unification of such *bona fide* labor organizations; and (b) urging upon the country the development of an "effective democratic American foreign policy."

3. Third, there is prescribed for the American labor movement a specific tactical action role which is to be adopted in the pursuit of both the interim and the ultimate objectives. These policy formulations prescribe structural prerequisites of the organizational vehicles American labor should or should not utilize in the vigorous quest for Bread, Peace and Freedom, the degree to which American labor's action is to remain independent of or coordinated with American-at-large foreign policy, the list of *personae non gratae* in casting the policy script, an array of specific foreign policy suggestions to be

channeled to the ears and minds of national policy formulators, e.g., the barring of "arrangements" of any sort with non-democratic nations if the application of "labor's yardstick" or litmus paper come up red, or black, or brown, the tactical prescription of offensive *versus* reactive action in opposing totalitarianism of any stripe, etc.

4. And finally, there is implicit a suggested role for the rest of the world to play in helping us and themselves in furthering the attainment of our ultimate ends.

It is not really surprising then that within this vast scope for analysis and derivative policy, questions should arise concerning analytical frames of references, over-simplifications, omissions, conceivable alternatives, and so forth. I list here but a few such questions:

1. One preliminary but, I feel, important issue deals with the method of formulation of American labor's policy role in international affairs. We are told that "since the close of World War II, American labor has shown an intense and expanding interest in world problems," that "America's growing involvement and participation in world affairs were reflected in the ranks of our organized labor movement," and that "in its interests in world labor, the AFL is acting in accordance with the best traditions of the working people of our land." No one will gainsay the increased general concern over such vital issues as peace, the defense and strengthening of democratic institutions, etc., which has become evident not only among American workers, but among the American citizenry generally. Nor will anyone withhold plaudits for the increased vigor with which the organizations representing American labor have ventured into the foreign relations arena. The American worker as *citizen* is concerned with *American* foreign policy—perhaps less than he should be, but more than he was.

But one can, I think, legitimately question whether the American worker as *trade-unionist* evinces more than apathy with respect to the American *trade-union movement's* role in the international scene. Organized Labor's foreign policy still seems a long way from deserving a "grass roots" label. As John Windmuller has elsewhere suggested, at the local levels of organization there is little concern with this, nor is there, with a handful of exceptions like the ILG, the UAW, the IAM, etc., much interest even at the national levels of organization. American labor's international policy formulations emanate primarily from the federation level and here, as at the national level, officers still devote their primary energies to the problems confronted in their day-to-day domestic relations with American employers, other

labor organizations, government legislatures, and government agencies. In such a context of labor's total activity then, as Wilensky points out in his recent work, the role of the intellectual—the staff man—in American labor organizations does become in large measure a policy-making role.

When we are presented then with an elaborate codification of American labor's foreign policy, whose voice do we hear? With no institutionalized feedback arrangement to provide checks and balances, can we be sure that we are hearing more than the voice, perhaps once removed, of a staff elite to whom the job of policy formulation falls by default? Was Reuther correct when he suggested a few months ago that Meany's proclamations on Nehru were not to be regarded as spoken in the name of American labor? Or if Meany did speak for labor, in whose behalf did Reuther speak?

The point is elementary. Using the yardstick of democratic and *bona fide* representational processes so frequently alluded to earlier this afternoon, we have been told little to reassure us that the application of such a basic value criterion has been accorded due regard in the very process of American labor policy formulation.

2. A second set of questions turns on the appropriateness or inappropriateness of the tactical suggestions. Surely none would debate the strong appeal of the ultimate ends sought or take issue with the general interim policy ends. It is in the *implementation* of these objectives that one must be specific and take action—and it is here that the disagreements will arise. What is or is not good tactical policy? We could bog down for a long time in piecemeal discussions of Lovestone's specific answers. But as professional students of labor problems, we may do better to point to the still shallow research bases upon which some of these tactical decisions rest. We roam here in an under-developed research area; and shifts in any single analytical premise may yield quite different policy prescriptions.

Just by way of illustration, let us expand Lovestone's definition of the modern world crisis to encompass man's quest for Bread as well as Freedom. The impatient aspirations of a billion people for higher living standards present a vast range of unexplored problems and possible dilemmas. Fred Harbison has referred to this range of issues in his discussion this afternoon, but he and others have pinpointed it clearly some time ago:

"The greater part of the world's population has not yet crossed the social territory that separates more traditional economic orders from the fully industrialized state; but there is much

aspiration and continuing movement in this direction. How may this transition best be made, and how may the emergent industrial societies best be constructed? These are the questions that insistently present themselves. . . . It is not enough that this transition be successful in strictly economic terms. It must also be acceptable in socio-political terms. In free societies industrialisation must advance simultaneously both the materialistic and the humanistic goals of peoples, but such twin goals are at times incompatible. For example, is rapid industrialisation, with the drastic and often painful social changes that it demands, compatible with the preservation of humanitarian and democratic values? If not, is slow industrialisation, which permits a less painful social change, sufficient to raise or even to maintain existing standards of living of rapidly growing populations? This dilemma suggests other questions. . . . ”<sup>1</sup>

Is it enough then simply to specify: Let us everywhere promote pure and free trade unionism whence will automatically flow the good and happy life for the world's workers? Or must we have more to specify by way of a time dimension or developmental drift before we can implement this interim policy?

Again, the point is elemental. We “must become more conscious of the variety of experiences and the range of factors shaping the labor problems of industrialization if they are to play a part in developing understanding as a basis of policy.” We must be aware of the gross gaps in our knowledge here and if we *are* to bet in advance—as we must—on probable effective policy lines, we should put our money on their flexible, dynamic and multilinear nature rather than upon an unyielding, unilinear and eternal policy orientation which turns upon a *single* root of all evil. Much of such relevant and important research is now under way. Surely, however, at this point, there is basis for the proposition that men equally well intentioned *vis-à-vis* our broad ultimate ends may agree to disagree without penalty of invective or polemic when they discuss tactics to be pursued by American labor in its own international relations and when they propose recommendations for the nation's foreign policy.

3. A brief reference, finally, to a third set of questions one may

<sup>1</sup> Clark Kerr, Frederick H. Harbison, John T. Dunlop, and Charles A. Myers, “The Labour Problem in Economic Development,” *International Labour Review*, March 1955.

raise in connection with an important omission in Lovestone's paper. What message do we propose to the unfree workers of the world? None has been suggested in the paper, for those in any way "unclean" have been declared "untouchable." Do we encourage in any positive way the liberalization and the easing of autocratic and coercive burdens of workers less free than ours by rejecting them out of hand? Do we capitalize on the evident internal pressures of these workers for more bread and more freedom by suggesting only that they can have all or none? Or do we sacrifice real potential gains—including gains for peace—to be derived from the application of a more flexible and pragmatic approach here for the lustre of jurisdictional purity and untarnished ideology?

There are many other such questions one could put but the brunt of most of them could perhaps serve only to recall that, when we deal with a particularly difficult, complex, and relatively unexplored problem area, answers will rarely be uncomplicated.

## **Part IV**

# **CHANGES IN MANAGEMENT'S PHILOSOPHY OF INDUSTRIAL RELATIONS**

# THE CHANGING INDUSTRIAL RELATIONS PHILOSOPHY OF AMERICAN MANAGEMENT\*

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THE TITLE ASSIGNED TO US today is, to put it mildly, a mouthful. It may be helpful, even if pedantic, to do a little dissection, and to examine more closely each of the component parts of this title. In the process, the general scope and purposes of the paper may become apparent.

The first word, "changing," implies at least two things. It suggests comparisons and contrasts with earlier periods. Moreover, the use of the participial form of the verb suggests that matters have not come to rest but are continuing to change. We shall try to approach our subject matter with these points in mind. Arbitrarily, we have focused roughly on the period from the 1920's on.

Terminology in our area is often not precise, and "industrial relations" is not necessarily a definitive term. We have chosen to interpret it broadly, to include *personnel* policies and activities (directed toward individual workers and groups of workers), *labor relations* policies and activities (having to do with relations with unions and with employees as union members), and also policies and activities concerning the role of government in labor-management relations and concerning specific issues of public policy.

"Philosophy," as we shall use the term, includes at least two aspects. In the first place, there are bodies of formal, schematic concepts, designed at least in part for public consumption. These may be called managerial ideologies. But there are also what may be designated as "workaday" philosophies—the concepts that management acts and lives by in practice—which may or may not coincide with the more formalized philosophies. These are more pragmatic philosophies, with less internal consistency.

The last two words of the title are perhaps the most troublesome. Clearly, American management is not a homogenous group. Both now and at earlier periods, it would undoubtedly be possible to find

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particular managements lying at every point on the spectrum of each aspect of industrial relations. The position of the firm would depend not only on individual temperaments and predilections, but also on such constraints as those imposed by the nature of the industry, the geographical locale, or the extent of unionization. The problem is further complicated by the fact that even the same management may be non-homogenous in its different manifestations—as “plant management,” as spokesman for a large corporation, as an active participant in management associations such as the National Association of Manufacturers or the Chamber of Commerce, or as a best-foot-forward representative of American management abroad.

Under the circumstances, generalizations about the philosophy of American management, at best, are over-simplifications and, at worst, approach absurdity. Yet our assignment is such that the task must be attempted. The emphasis will be on trends rather than on absolute positions at given points of time. It may be helpful to think of management philosophies at any time as spread along a spectrum—somewhat in the nature of a curve of frequency distribution—with the location of the mode shifting in one direction or the other as time goes on. Always there will be exceptions—non-modal values. Frequently, indeed, the exceptions may out-number the instances that cluster around the mode. The most that we can hope to do is to try to identify trends—shifts of the mode—which seem to have occurred, and to indicate the major factors that appear to have been responsible for the shifts.

## II

Before we proceed to substantive matters, it is desirable to indicate briefly the methodological bases upon which this paper rests.

In the first place, no “statistical” study has been attempted. No effort has been made to classify utterances of American managers into relatively precise categories and to count the numbers that would fall into the respective pigeonholes. For one reason, the job would have been prohibitive.

In any event, however, such a study would be of very doubtful validity. Many philosophies, even of the formal variety, are never expressed in formal, available fashion where they would be accessible for computation. Many expressed philosophies represent a combination of genuine ideology and rationalizations, and perhaps even of conscious deception; it would be well nigh impossible to disentangle these various elements and assign the appropriate weight to each.

Moreover, as we have suggested earlier, philosophies as expressed in formal resolutions, speeches, and statements of company policy often diverge from the workaday philosophies which may be no less important even though they are never formally set forth.

With no pretense to statistical analysis we have, however, tried to familiarize ourselves with a reasonable, if not a representative, sample of the literature bearing on the topic. Publications of such organizations as the National Association of Manufacturers and the Chamber of Commerce of the United States have been reviewed, as well as documentary material of the American Management Association and the Committee for Economic Development. We have, in addition, tried to become familiar with substantial numbers of speeches by management representatives, of statements of company policies, and of union-management agreements.

In the final analysis, however, it must be confessed—if confession is the word—that many of the conclusions derive not from any work done specifically for the preparation of the present paper, but rather from the authors' professional experience and their acquaintance generally with the literature of labor-management relations. As such, they must necessarily be regarded as somewhat impressionistic.

In what follows, the effort will be made to analyze management philosophies as they were and are beamed in three areas: toward employees as employees, toward unions, and toward employees as union members. Thereafter, brief attention will be given to some of the arrangements or procedures that have been developed to implement or reflect changing philosophies and attitudes. The final section will be devoted to a discussion of the forces or pressures which seem to have been primarily responsible for inducing the changes that have occurred.

### III

It is in the first area—managements' philosophies toward employees as employees—that some of the most marked changes seem to have taken place. While there were many exceptions, and while already there were signs of change in the air, three strands stand out with prominence in the prevailing philosophies of the 'twenties and early 'thirties. Stated baldly, they are:

- (1) The concept that the authority of the employer was supreme;
- (2) Certain aspects of Taylorism, particularly the importance of fitting the man to the job and the job to the man;

### (3) The welfare concept.<sup>1</sup>

These strands had a number of points in common. First, the employee was viewed as a malleable factor in production. It was the employer who gave the orders; it was the employer who did the thinking. It was the employer who fitted the man to the job and the job to the man. (While introducing new dimensions, the increasing vogue of industrial psychology in the late 'twenties and 'thirties rested essentially on the same postulates.) It was the employer who knew what was best for his employees. In summary, given an adequate (financial) incentive, the employee was expected to perform to predetermined standards within the context established by management; he was not expected or permitted to have ideas about the context; nor was it believed that such ideas could be valuable; nor was it felt that, beyond a bare minimum, increased "morale," "interest," or "loyalty" had importance for the productive process.

Second, incentive was conceived of in financial terms. There was no room for such concepts as "participation," "consultation," or even "job satisfaction" in its present-day meaning. This second point, in fact, is largely a corollary of the first.

Third, unions and union members had no place in the scheme of things. Obviously, they had no place in the productive process, since only management knew the answers in this area. Moreover, the acceptance or seeking of union membership by an employee was clear evidence of the lack of that minimum degree of loyalty necessary for the productive process to function effectively.

Fourth, the term "management prerogatives" was a redundancy, not a discussable issue.

Fifth, the concept of identity of interests prevailed. The identity was defined and implemented by management.

Later, beginning in the 'thirties, the ideas of Mayo and Hawthorne experiments flowed into the philosophical stream. The manipulative aspects of this strain of thought can be over-emphasized,<sup>2</sup> but they were undoubtedly there, particularly in the minds of practitioners

<sup>1</sup> For general discussions of changing managerial ideologies, see Reinhard Bendix, *Work and Authority in Industry*, John Wiley and Sons, Inc., New York, 1956, Chap. 5; and Edwin E. Witte, *The Evolution of Managerial Ideas in Industrial Relations*, New York State School of Industrial and Labor Relations, Cornell University, Bulletin 27, November, 1954. See also Clarence J. Hicks, *My Life in Industrial Relations*, Harper and Brothers, New York, 1941, particularly Chap. IV.

<sup>2</sup> See Clark Kerr and Lloyd Fisher, "Plant Sociology: the Elite and the Aborigines," to be published in *Common Frontiers of the Social Sciences*, Paul Lazarsfeld and Mirra Komarovsky, eds.

who embraced these newer concepts. As Professor Witte has put it: "To Mayo, the factory was a social organism and within it were many smaller groups, which largely determined the production of the individual employees and their attitudes toward the company . . . Management's task is to mold group opinion in directions favorable to increased production."<sup>3</sup> The emphasis on financial incentive was absent, and the techniques of implementation were difficult, but on the whole it was not difficult for the earlier ideological framework to incorporate these newer elements.

Even with due allowance for over-simplification, the philosophy of this period had the appeals of simplicity and consistency. One can be quite understanding of the many evidences of nostalgia that one encounters among individuals and groups in management today.

For nowadays things are not quite so simple. The air is full of such terms as "communication," "grievance procedure," "morale surveys," "encouraging employee ideas," and "production committees." All of these terms suggest problems rather than solutions. And all of them, at least in their present-day usage, would have been quite incompatible with the earlier philosophy.

Management still insists on the "right to direct the working force." It is recognized, however, that this right is subject to many limitations. Some of these restrictions are formally incorporated in union agreements.<sup>4</sup> But whether or not they are thus embodied, the concept of limited sovereignty is now grounded in the philosophy and mores of management to a degree that contrasts strikingly with the situation earlier.

Many phrases in current use attest to the newer philosophy. "No discharge without just cause." "Lay-offs and promotions should be made on an equitable basis." "While management must call the signals, employees should be given an opportunity to review or protest the decisions in certain areas." "Management should inform employees of contemplated management actions." "Employees should be encouraged to make constructive suggestions for improved operation." Or, finally, "employees should be treated as human beings," that is to say, presumably, as individuals with dignity, aspirations, and ideas of their own.

Often, no doubt, such statements must be taken as expressions of piety. But the mere fact that it is fashionable to use these phrases is

<sup>3</sup> Witte, *op. cit.*, p. 14.

<sup>4</sup> Neil W. Chamberlain, *The Union Challenge to Managerial Control*, Harper and Brothers, New York, 1948, particularly Chap. 4.

in itself significant. When, in fairness, it can be shown that in many cases a great deal of time and energy is being devoted toward making actions conform to the words, the philosophy takes on real substance.

Increasingly, quite apart from more formalized plans of union-management cooperation and suggestion systems, the idea has gained ground that employees may have something to contribute to the improvement of the productive process, over and above the performance of their specifically assigned tasks. This belief is part of the basis for the current emphasis on "two-way communication." It is intimately bound up with the increasing discussion of "participation."

Rightly or wrongly, there is a pervasive belief in the existence of a positive correlation between the degree of "morale," "job satisfaction," or "loyalty," on the one hand, and the productive efficiency of the enterprise on the other hand.<sup>5</sup> At the very least, there is widespread acceptance of the proposition that prevention of dissatisfaction pays off. Implicit in the creed—and in fact often explicitly stated—is the recognition that financial incentives alone may not be enough to evoke adequate contribution to the goals of the enterprise.

However grudging, there has been an increased willingness on the part of management to admit that the interests of management and employees are not in all instances identical. Correspondingly, there seems to have been a diminution in the conviction that management is the best judge of the interests of its employees. Two notes of caution, however, should be injected here. In the first place, we should not exaggerate either the magnitude of the changes in philosophy or the certainty of their permanence.<sup>6</sup> Second, while management may not be held to be the best judge of employee interests, it may regard itself as a better judge than, say, the union. We shall return to these points later.

In many of the areas we have been discussing, management per-

<sup>5</sup> This correlation has not been conclusively demonstrated. See, for example, Robert L. Kahn and Nancy C. Morse, "The Relationship of Productivity to Morale," *Journal of Social Issues*, Vol. VII, No. 3, 1951, particularly p. 12; or William J. Goode and Irving Fowler, "Incentive Factors in a Low Morale Plant," *American Sociological Review*, 1949, pp. 618-624.

<sup>6</sup> "In spite of the prodigious outpouring of Left Wing literature from communists, socialists and some labor leaders and groups like the A.D.A., the average American feels and sees that employers and workers have far more interests in common than conflict. . . . The ordinary working man who has been uncorrupted by foreign ideologies knows his well-being and prosperity rest on the prosperity and well-being of his employer." U. S. Chamber of Commerce, Economic Research Department, *Economic Intelligence*, No. 70, March, 1954, Washington, D. C.

formance falls short of—and in some areas far short of—management philosophy. These shortcomings, however—if such they be—should not be allowed to obscure the very substantial changes that have occurred both in philosophy and in practice. Nor should the importance of these changes be brushed aside because they have on occasion been induced by a desire to forestall unionization. The changes are no less real on this account.

We may conclude this section on a note of prophecy. It may be predicted with a considerable degree of confidence, we believe, that changes of the sort we have been discussing are irreversible, short of world upheaval. Later on we shall discuss the forces that seem to have produced these changes. They are forces which, in our judgment, are likely to persist or even grow stronger.

#### IV

We now turn to another area, that of management philosophy and attitudes toward unions.

Initially and superficially, the students of this area might emerge with a surprising conclusion. If he read only the formal pronouncements of groups and individuals in management, he might be tempted to conclude that changes, if any, in philosophy toward unionism had been relatively minor.<sup>7</sup> It is still the fashion, as it was thirty or more years ago, to concede that employees have the right to organize or not to organize. It is still the fashion, as it was earlier, to deny opposition to unions as such; only “bad unions,” “labor monopolies,” or “unions that abuse their power” are formally beyond the pale. It is still the fashion to insist that unions be held legally responsible for their actions.

But reliance solely on a comparison of formal statements would

<sup>7</sup> Compare, for example, the following excerpts from policy statements of the National Association of Manufacturers.

“No person should be refused employment or in any way discriminated against on account of membership or non-membership in any labor organization, and there should be no discrimination against or interference with any employee who is not a member of a labor organization by members of such organizations.” (1903)

“We believe in and support the right of labor to seek, secure and retain employment without regard to membership or non-membership in any organization, and to bargain without interference or coercion by anyone, either collectively or individually.” (1936)

“A. Membership or non-membership in a labor organization should not determine the right of any individual to secure or keep a job.

“B. No individual should be deprived of his right to work at a job available to him, nor should anybody be permitted to coerce, to harm or to injure the individual, or his family, or his property, at home, at work, or elsewhere, in any matter or action relating to his employment.” (1955)

mask the significant changes in managerial attitudes that have, in fact, occurred. Acknowledgment of the right to organize means one thing when it is followed by the tacit addendum: "but we will stop at virtually nothing to keep this right from being exercised." It has a different meaning when the right to organize is equated to the privilege of joining company unions.<sup>8</sup> And it means quite a different thing when it is said in the context of today's collective bargaining agreements.

Granted, legislation and other threats of punitive action today limit management in the measures it might take to prevent unionization. It would be foolhardy to suggest that all existing union-management relationships have been preceded by romantic courtship. But it would be equally wrong to contend that all such relationships are the product of shot-gun marriages. At least some managements have welcomed unionization, or would be reluctant to see the union go, for a variety of reasons.

In a somewhat similar fashion, there have been changes in management's approach to the legal responsibilities of unions for their actions. There appears to be a greater reluctance on the part of management to sue unions in the courts, in spite of the aid and comfort contained in the Taft-Hartley Act. There appears, in short, to be a realization or acquiescence—however comfortable or uncomfortable—that marriages tend to be lasting, or at least inevitable, and that the imposition of equity—no matter how just—from the outside is not only not conducive to connubial bliss, but may well produce intolerable tensions which require accommodation.

With all due allowance for whatever discrepancies there may be between surface manifestations and reality, it still seems abundantly clear that there have been marked changes in management attitudes toward unionism and unionization. The most obvious fact is that managements *have* recognized unions and *are* dealing with them to an extent, as measured either by numbers of employees represented by unions or by the substantive matters over which bargaining takes place, that would have been undreamed of twenty-five years ago—or if there were dreams, they probably took the form of hideous night-

<sup>8</sup> "In recent years a new form of collective bargaining has arisen in many plants—the so-called 'employee representation' method. Under this plan the employer deals with his own employees on a collective basis but refuses to deal with organizations dominated by employees of other employers. This is a more modern method of collective negotiation." N.A.M., *Labor Relations Bulletin*, April 12, 1937.

mares. To this extent, at least, it can be said that management has accepted unions, both in its philosophy and in its practice.

The content of "acceptance," of course, varies widely, and a considerable amount of research has been concentrated on essentially this question. Various typologies have been evolved to categorize the varying degrees of acceptance, their characteristics, and their implications.<sup>9</sup> The epithets used to describe the manifold types of relationship are strongly suggestive of those prevalent in international affairs: containment, armed truce, cooperation, and the like. To the best of our knowledge, the phrase "massive retaliation" has not been applied in the labor-management area; no doubt this omission will soon be rectified.

It would clearly be wrong to clothe the concept of acceptance with qualities too positive in nature. The adjective "enthusiastic" should be used to precede acceptance only in the rare instance. In many, if not in most cases, resignation might be a more appropriate term than acceptance. It may well be true that if American management, upon retiring for the night, were assured that by the next morning the unions with which they dealt would have disappeared, more management people than not would experience the happiest sleep of their lives.

In spite of all such considerations, however, there seems to be no question that, on the average, the prospect of coexistence (if we may again borrow a term from the vernacular of international relations) with unions is less frightening and less repugnant, and perhaps more acceptable, to management than it would have been during most of our past history. Even superficial examination of the situation in the mass-production industries may be enough to establish this point. More generally, however, it is our impression that the number of situations in which management has moved in the direction of greater acceptance of, or lesser repugnance to, unions far exceeds the number in which the reverse movement has occurred. We assert this despite some notable exceptions that seem to illustrate the opposite conclusion. Moreover, the picture would be far from complete if there were left out of account the substantial number of cases, many of them of recent origin, in which there is convincing evidence, not

<sup>9</sup> See, for example, Frederick H. Harbison and John R. Coleman, *Goals and Strategy in Collective Bargaining*, Harper and Brothers, New York, 1951; and Benjamin M. Selekman, "Varieties of Labor Relations," *Harvard Business Review*, Vol. 27, No. 2, 1949, pp. 175-199.



merely of positive acceptance, but of active cooperation with unions on the part of management.<sup>10</sup>

Management's philosophy toward unions is reflected not only in the degree of its acceptance of unions as coexisting institutions, but also in the conduct of bargaining and the substance of the bargains made with unions. One focal area in this latter connection is that which centers around the concept of management prerogatives. Here again, it seems to us that there have been marked changes in management philosophy. Put briefly, the changes reflect a shift from the concept that management's decisions are unchallengeable simply because they are management's decisions, to the proposition that, in the interest of efficiency, it is better that certain types of decisions be made by management with minimal interference or control by the union.<sup>11</sup> In our judgment, this shift is highly significant. It permits the discussion of matters which had to be at least discussable if the institutional needs of the union were to be met.

This mention of the institutional needs of the union suggests another area of accommodation that has taken place in management philosophy. There is, we feel, an increased awareness by management of the kind of organization a union is, of the compulsions that occur within and around it, and of the problems facing the leadership of a democratic union.<sup>12</sup> There is a readier acceptance of the necessity for acting in ways that are in conflict with the traditions of sound business methods (or, as the unions might say, in conflict with management's stereotypes of itself). A few examples will illustrate the point: acceptance of the (frequently long drawn out) ritualistic procedures of the bargaining process; recognition that the same substantive results of bargaining may be reached by paths which, alternatively, build the union leader up or throw him to the wolves; recognition that interunion rivalries create situations that may be advantageous or disadvantageous to management, but cannot be ignored. Like any other tool, this increased awareness can be used either to cement or to destroy relationships. On balance, it seems to us to have worked in the former direction.

Perhaps the previous discussion has produced the impression that changes in management's attitudes toward unions have proceeded

<sup>10</sup> The series of studies by the National Planning Association on the Causes of Industrial Peace affords many illustrations.

<sup>11</sup> See the statement by management representatives at *The President's National Labor-Management Conference*, 1945, U. S. Department of Labor, Division of Labor Standards, Bulletin 77, Washington, 1946.

<sup>12</sup> Alexander R. Heron, *Reasonable Goals in Industrial Relations*, Stanford University Press, Stanford, Cal., particularly Chap. IV.

steadily in one direction, toward greater acceptance of unions and of the substantive results of unionism. If so—or even if not—a further observation is in order.

In the last few years, there seems to us to have been a trend in the direction of a stiffer attitude toward unions on the part of management. In some instances (although as yet at least these instances are clearly in the minority), there has been a stiffened attitude toward the very existence of unionism. Some managements, whose attitude at most has been one of resignation to unionism among their employees, have seen an opportunity to rid themselves of the incubus and have acted accordingly. Other managements, threatened with unionization, have managed to avert it, whereas earlier they might have succumbed more or less gracefully. It is probably unnecessary to point out that the Taft-Hartley Act and interpretations thereunder have been widely regarded by unionists and by some managers as aiding and abetting such activities.

More significant, in our judgment, are those instances in which the stiffening has taken the form, not of opposition to unionism as such, but of more vigorous efforts to contain the union on substantive matters, or to control the avenues along which the substantive matters would come to rest. This point will be expanded below. For the moment, it is enough to record our impression that, to a significant degree, a stiffening of attitudes and actions has occurred in recent years, momentarily at least marking a reversal or retardation of the longer-run trends.

While we are on this subject of exceptions to general trends, we cannot refrain from a passing reference to an organization which is frequently regarded as the spokesman of American industrial management, the National Association of Manufacturers. As we read the official statements of this group and, more particularly, as we try to get beneath the surface of these statements, we sense virtually no change, no adaptation, over the years. We sense little resiliency, little awareness of a world on the move. Rather, we have the sensation of a television production in which most of the characters stay immobile while the backdrop moves across the stage. Fortunately or unfortunately for the survival of American management ideology, the characters appear to act in one way in their private lives and in another in their stage roles.<sup>13</sup>

<sup>13</sup> A study by the AFL-CIO indicates that, of 171 companies represented on the directorate of the NAM in 1955, 93 had contracts with AFL-CIO affiliates; of the 71 in states permitting union-security provisions, 59 had such clauses. *Collective Bargaining Report*, Vol. 1, No. 6, June, 1956.

Perhaps the institutional needs of an organization like the N.A.M. can be met only by maintaining an immutable philosophical position on such issues as unionism, where the identity of the adversary is clear. On other issues, such as approaches to personnel policies, the N.A.M. has shown much greater flexibility.

To summarize this part of the discussion, it may be said merely that, on the whole, over the last twenty or thirty years, management's philosophy has moved or been moved in the direction of greater acceptance of or more acquiescent resignation to the existence of unions. It may also be said that there has been increased acquiescence in the substantive results of collective bargaining, although in recent years there have been indications of stiffening attitudes in this area.

## V

We turn now to an area which is more difficult to pin down in precise terms. The difficulties may arise partly from our lack of perception, and partly because of a fuzziness of management philosophy in the area. We have chosen to call this area management's philosophies and attitudes toward employees as union members.

The important issues may perhaps be phrased in terms of questions involving loyalties.<sup>14</sup> Where employees are unionized, must there always be conflicts between loyalty to the union and loyalty to management? Does an increase in loyalty to one necessarily mean a decrease in loyalty to the other? Is it possible to have divided loyalties, with the relative pull varying with circumstances and issues? What approaches should management adopt and by what philosophies should it be guided in this whole area of loyalties?

Alternatively, the nature of the questions with which we are here concerned may be pictured in terms of more concrete issues which management poses to itself. Should we insist that the individual employee present his grievance in the first instance or at subsequent stages without the intervention of the union representative? Have we done everything possible to make sure that we have communication with our employees, without depending on the union? Why, in the eyes of the employees, should the union rather than management get the credit for the gains that have been given? Instead of waiting for the union to present its demands, to which concessions are made by management, would it not be better for management to find out

<sup>14</sup> See, for example, Theodore V. Purcell, *The Worker Speaks His Mind on Company and Union*, Harvard University Press, Cambridge, 1954.

what the employees want and to take the initiative by granting rather than by conceding?

The rationale of questions such as these has intrigued us for some time, and we have sought answers in the classroom. Recurrently, successive generations of students in our executive development programs at MIT have propounded the thesis that management should deal with the union on union matters but with the individual employees on other matters. The distinction between these categories is never made clearly, except in those instances where union matters are identified with specific contract clauses. Since these latter form a shifting base, distinction along these lines partakes largely of tautology.

In those unionized situations in which management is committed in its own mind to making every effort to get rid of the union, there is no philosophical uncertainty, and no conflict between philosophy and practice. Here there is no question of ultimate objectives. Nor need there be qualms about the ultimate disposition of loyalties, nor doubts arising from a consideration of potential conflicts between individual needs, on the one hand, and group or institutional needs on the other. Stern and uncomprehending realities may erect barriers to achievement, but the philosophical base remains intact.

It is in those situations in which management, by design or by necessity, is committed to acceptance of the union that there seems to be no clear philosophical base. It is possible that there is a very simple explanation, namely, the desire to regain or maintain the upper hand over the union in a tactical sense. But one of the lessons of warfare seems to be that tactical competence is not enough if strategy is lacking. And it is with strategy rather than tactics that philosophy is concerned.<sup>15</sup>

It is no part of our purpose to prescribe what management philosophy should be in situations like these. We would merely indicate that there seem to be, over significant sectors of management, unresolved philosophical questions with respect to attitudes toward the complex of employees as employees, employees as union members, and unions as institutions.

## VI

Thus far we have been speaking in terms of philosophies and attitudes, with particular reference to changes which have occurred.

<sup>15</sup> See Robert N. McMurry, "War and Peace in Labor Relations," *Harvard Business Review*, Nov.-Dec., 1955, pp. 58ff.

In the present section, we shall refer to concurrent changes in organizational arrangements and procedures. Our interest is not in the validity or effectiveness of the procedures as such, but rather in adducing them as support for our analysis of changes in managerial philosophies and attitudes. Fortunately, therefore, treatment can be brief, both in terms of the number of matters to which reference is made and of the detail in which each of them is considered.

First, we would simply call attention to the obvious expansion of the role of staff services in personnel administration and labor relations. Concomitantly, there has been a vastly increased use of particular techniques designed to promote the application of personnel policies. Efforts and expenditures of current magnitudes could not have been justified under the framework of philosophies of earlier eras.

Second, the role of supervision, and particularly of first-line supervision, in the personnel area has come in for increasing attention. Here we need only refer to the prevalence of the belief that "technical competence in a foreman is not enough" and to the multitude of foremen training courses, with their emphasis on human relations, that have sprung up in every corner of the country.

Third, even a cursory examination of the literature will attest to the widespread acceptance of the necessity for top management support in an effective program of personnel and labor relations. "Top management must set the tone." "Management gets results through people." As in many other areas, achievement falls short of profession. But there can be no doubt of the increased concern of top management with matters of personnel, or of their increased participation in this field.<sup>16</sup>

Fourth, reference should be made to another development, perhaps more gradual but none the less significant—the growth of multi-employer bargaining. Typically, the idea of association with other employers in bargaining seems to have been repugnant to most American managements. The gradual weakening of their resistance we view as an evidence, first, of the greater acceptance of unionism as a continuing phenomenon and, second, of the belief that association strengthens managements' hands. This development may not be unrelated to the stiffening attitudes to which reference was made earlier.

<sup>16</sup> On these and related matters, see Sylvia and Benjamin Selekman, *Power and Morality in a Business Society*, McGraw-Hill Book Co., Inc., New York, 1956, particularly pp. 114-116.

Fifth, as suggested above, there is evidence that, in recent years, there has been an increasing tendency on the part of management to take the initiative in collective bargaining negotiations. The General Electric settlement in 1955 and automobile industry settlements in 1948, 1950, and 1955 come to mind immediately in this connection. The steel negotiations this year had some of the same characteristics.

Sixth, certainly one of the most striking contrasts between today and twenty-five years ago is to be found in the current prevalence and scope of grievance procedures, culminating usually in private voluntary arbitration. On subject after subject, management's actions are open to challenge. Here is abundant evidence, if any be needed, of the changed concepts of management prerogatives.

Seventh, there have been adventures into joint administration (by management and union) of matters which would earlier have been the unquestioned province of management. Safety programs, job evaluation, time study—these and other areas have been invaded with greater or less resistance. The traumatic effects of these invasions on earlier generations of management can be left to the imagination.

Eighth, and finally, one other change may be noted briefly: the vastly different modes of behavior during work stoppages. While there are still instances of bloodshed and violence, the general picture stands out in sharp contrast to that of earlier days. For our present purposes, the major significance of the change lies in the further evidence it offers of management's expectations of continuing relations with unions.

## VII

These changes in American management's philosophy and practices in industrial relations during the past twenty-five years did not come about primarily because of *internal* changes in management organization and outlook. To be sure, the more progressive managements have helped to set an example for others, and the growth of management associations and university business schools and industrial relations sections has helped to stimulate and spread new concepts and practices in industrial relations. But the main pressures for change were external, forcing many managements to re-evaluate their existing organization and policies and adopt new ones to fit new conditions. Among these pressures, some of which clearly reinforced each other, were:

1. *Growing labor shortages*, starting with the end of immigration but really beginning to pinch with the onset of World War II. These

shortages, together with the advancing levels of education which affected both immigrant and native stock, would alone have necessitated adjustments in managerial approaches and procedures in utilizing the labor force effectively.

2. *Increasing governmental intervention in labor-management relations*, beginning with the New Deal period. These pressures on management are too well known to require comment, but what may not have received sufficient emphasis is the probability that, even if the depression of the 'thirties had not precipitated government action, similar measures would subsequently have been introduced by the American version of "the welfare state," or (if you prefer) "people's capitalism."

3. *The increased strength of unions*. This clearly put pressure on management to change its earlier methods of dealing with workers, and the growth of collective bargaining has itself brought changes in management practice, as we have seen.

4. *Increasing size of business enterprise*. Larger firms require more staff personnel to deal with specialized problems, and to assist line management. Industrial relations has become a specialized branch of management, especially in the larger firms, where some centralization and coordination of industrial relations policies is necessary.

5. *Separation of ownership and management, and the growth of a professional managerial group*. This separation has led to the development of a professional, rather than family-oriented management, with fewer emotional reactions to the challenge to managerial prerogatives represented by the other pressures. Professional management regards these pressures as creating problems, but problems to be dealt with more objectively and less emotionally.

This analysis of the factors behind the changes which we have examined in this paper cannot be proven. Others may put forward alternative explanations. But the *absence* of these pressures in some of the countries of Western Europe and in many of the industrially underdeveloped countries explains much of the difference, in our judgment, between the dominant industrial relations philosophies of management in these countries and those of American management today. We have come a considerable distance since 1930, with some wavering recently, and without exaggeration it may be asserted that American management now leads the world in many fields of industrial relations.

# CHANGES IN MANAGEMENT'S PHILOSOPHY OF INDUSTRIAL RELATIONS\*

PETER SEITZ

I TRUST THAT I SHALL NOT be charged with mock humility when I observe that in the preparation of this paper I am substituting for one whose broader experience and superior insight furnishes him with greater qualifications than mine to illuminate this subject. Unfortunately, illness prevented Alexander Heron from addressing you today. In my role as pinch-hitter I cannot pretend to ground my remarks on organized study and research. Considerations of time have restricted my resources to whatever observations I may have made during years spent in various industrial relations posts in the Federal government and for the last five years as a representative of management. Accordingly, I make no pretensions to offering anything other than an impressionistic survey of changing management philosophies.

Neither can I pretend to stand upon a peak, Cortez-like, and claim the discovery of great new truths. Many of my remarks will be regarded as clichés in the horn-books of industrial relations. I comfort myself, however, with the thought that there is value, sometimes, in the reappraisal of what is regarded as common knowledge. Today's commonplace may well become tomorrow's denigrated myth. The rewriting of history, a process which the Nazis and the Soviets have done their share in discrediting, nevertheless, is not only an honorable one but an indispensable task for every generation.

Each of us will approach the subject "Changes in Management's Philosophy of Industrial Relations" in terms of his own personal and parochial experiences: what he knows about *his* union, *his* management, *his* industry; and will be induced to generalize from the particulars that come within his observation. Excepting sex I doubt that there is any relationship other than the industrial relationship in which false generalizations, based on insufficiently broad experience, are made with greater ease and confidence. I yield to no man in my capacity for leaping nimbly from particular instances to general laws; and I may, perhaps, be pardoned a preference for my own opinions, half-truths and generalizations to those of others, inasmuch as I shall have to take responsibility for this paper and they will

\* Paper read at Annual Conference of Industrial Relations Research Association at Cleveland, Ohio, December, 1956.



not. As it is my purpose to break a lance, if need be, on some of the twaddle and writing that goes on in the current discussion of "management philosophy" I shall attempt to convince you of the following general propositions:

- (1) that American management is pluralistic and eclectic in its approach to its role and in its relations with labor unions;
- (2) that the various management philosophies, so-called, are no more than programs of action of particular managements adopted to cope with the specific problems they face this day, this year, this decade;
- (3) that these "philosophies", do not penetrate beyond the aspirations and compulsions of all institutions in our civilization, namely, assurance of survival and attainment and preservation of power and prestige. Finally, rather than attempt to express a philosophy myself I shall seek to describe, however briefly, the recent history of American managements within this formulation and ask the question "whither" for the future.

When I try to apply one of the widely accepted theses for explanation of the trade union movement to the conduct of particular unions, I become more impressed with the number of exceptions from, than by the extent of conformity to the rule. The Perlman hypothesis was undoubtedly of great validity in respect of the AFL trade union movement at an earlier stage of its development and may well be valid today in many areas; but revolutionary changes in our society call for much pushing and squeezing to make that particular shoe fit. The literature of our time is replete with the debates of the deeper thinkers as to what the trade union movement really is. Indeed, it seems to be many things.

Similar confusion abounds with regard to the role of managements vis-à-vis unions. Carroll R. Daugherty's remarks before the American Management Association in February and Robert N. McMurtry's piece in the *Harvard Business Review* for November of 1955 have given great currency to intriguing labels such as Boulwareism, Fairlessness, Crawfordism and Studebakerism. These rather clumsy terms, not too euphonic to the sensitive and discriminating ear, identify various systems of what is called by many, management philosophy. At the risk of being accused of being a disciple of Cyrus S. Chingoism (a frightful term which should put an end to this type of bad word-coining) I feel called upon to demur. The labels,

undoubtedly, are convenient descriptions of the patterns of conduct characteristic of the gentlemen whose proud proper nouns are downgraded, without their consent, to the status of common nouns; but I seriously doubt that we are talking here of anything that resembles a philosophy of management in relation to unions.

I do not mean to play with words in this discussion. What I am trying to convey is my conviction that these labels, far from denoting theories or philosophies of American management, only have significance as blueprints of tactical action adopted by particular managements to cope with the challenge of particular unions or with the threat of union organization to the freedom which such managements feel they require in order to realize the purposes of the enterprise.

What are those purposes? Too briefly stated, they are survival and success. A business enterprise must make profits for its owners and investors. In the more enlightened conception of the second quarter of the twentieth century, those purposes include the furnishing of work satisfactions, job security and a high standard of living to employees. Some few enterprises, impressed with the need for prophetic vision, go further and relate their conduct in industrial relations to the economics of the community and the nation. But in what proportion of the collective agreements negotiated every year is the impact of the bargain on the local or national economy a governing or even a weighty consideration? Is it not more accurate to say that in the overwhelming generality of cases, the bargains struck are determined by the immediate political and economic needs of the parties?

In saying this I am not making moral judgments as to what folks ought to do, but what they, in fact, do. Thus, I am led to doubt that Boulewareism, for example, whatever it may or may not be (and Mr. Bouleware has protested strenuously to me that his operations are misrepresented and widely misunderstood), is a theory of management—union relations that evolved from a study of all managements and all unions and embodies, therefore, policies sufficiently valid for application in the manifold relations of managements and unions. Mr. Bouleware, Mr. Fairless, Mrs. Crawford and others whose names are used as labels are in the classic tradition of the American business man. They are pragmatic, empirical, commonsensical. Their primary goals are the survival and success of their enterprises. They are chosen to lead because of their presumed ability to surmount difficulties, to meet challenges, to resolve problems. Boulewareism and Fairlessness are not the product of theoretical mental exercise nor

even the result of pseudo-scientific research on a broad basis. They are the practical means adopted to meet what are believed to be problems presented by the particular unions and union leaders with which they deal.

One way of testing the universality or the validity of a theory is to inquire as to its operation under a changed set of conditions.

Messrs. Boulware, Fairless, Crawford and the others, so far as I know, have made no claims for their theories, philosophies or programs outside the boundaries of their own concerns. But I cannot resist speculating as to what use Mr. Boulware would make of that eminently successful program called Boulewareism if he transferred his corporate allegiance to the New York City waterfront and were required to deal with Capt. Bradley and the independent Longshore Union. What if he were to represent the employers in relations with Mr. Dubinsky's union? What use, I should inquire, would Mr. Crawford make of Crawfordism if he had succeeded to Harry Moses' job as negotiator for the bituminous coal industry? Would Crawfordism work with John L. Lewis? With Local 3 of the I. B. E. W.? What of Fairlessness if Mr. Fairless, in contented retirement should take up the reins of control in Westinghouse? Would Mr. Paul Hoffman undertake to sell Studebakerism to the Board of Directors of a large Southern textile enterprise?

The trite response is, of course, that to ask the question is to answer it. These able men, as has been said, are eminently practical. They are paid to respond to the challenge of their particular situations. It may be hypothecated that the history of Studebaker left Mr. Hoffman no alternative but to conduct a rear guard action against the manning tables and piece work rates and practices which are said to characterize Studebakerism. Fairlessness may be what it is (if indeed it is a consistent recognizable approach to labor relations), not only because of what Benjamin Fairless was but because of what Philip Murray was. Crawfordism may owe much to the man whose name it bears, but it is reasonable to speculate that there may have been circumstances other than Mr. Crawford's strong and persuasive personality contributing to the end result. As for Mr. Boulware, who is to say that he did not make the most of particular circumstances and conditions as he found them? Would Boulewareism have evolved at General Electric if Mr. Boulware had been confronted with an old, established, confident and entrenched union such as the United Mine Workers or the Brotherhood of Railway Trainmen?

I have heard people say that if Mr. Boulware had been at Westing-

house that company would not have suffered the rigors of its long battle with the I. U. E. Being somewhat skeptical of the validity of the Great Man theory of history, I have my doubts. But even if this were so, how effective would Boulewareism be in the interesting world dominated by the Teamster's Union?

The fact is that management policy, like the foreign policy of a nation, or, for that matter, the policy of a trade union, has little validity except in the context of and in relationship to the strength of the institution, the correlative strength of the challenger and a host of other conditions, economic and political, not the least of which is the personality of the representatives of both sides. A successful management policy on union relations, or philosophy, if you will, depends much more on the attitudes, the strengths and weaknesses, the political orientation and problems of the unions it deals with, than it does upon any dazzling conceptual and doctrinaire formula of management representatives.

Successful industrial relations men in management (and successful union representatives, for that matter) know this instinctively. But others who prate about the one true faith, the sure, tried and trusted way to the Heaven of managerial success, frequently do not. Accordingly they are easy marks for hucksters of various so-called philosophies, some of whom, with super-salesmanship claim universal merits for their products. Mankind has always been a sucker for peddlers of cure-alls, nostrums and sovereign remedies. We long for the easy formula and the rule of thumb. Well, there is none to be found in dealing with any complex relationship, be it husband and wife, father and son, nation and nation or management and labor. There is no philosophy adequate to the problem. There is only experience, sound practical judgment and an intelligent accommodation to the facts of the economic, political and other aspects of the life of our industrial society.

The economic aim of that society, it may be said, is to maximize profits, wages, and the standard of living of our industrial population. There are many paths to that end. If one is a trade unionist by faith and doctrine, one is convinced that the only sound approach is through an acceptable management-union relationship. But it is well known that there is a vast area of disagreement even among trade unionists as to what are the appropriate ingredients of that relationship and the respective roles of unions and managements in its administration. What of managements?

There is a temptation to remark that the attitudes of manage-

ments to unions recapitulates the history of man himself. That is to say, that there is a parallelism in the evolution of Man from his more primitive ancestors and the development of management in certain of its attitudes toward unions. Thus, it might be said that except for certain areas of the South and certain enclaves in the North, the Paleolithic and Neolithic Ages are definitely behind us. Management may be said to have emerged from its hilltop caves similar to those of Lascaux, France, and Altamira, Spain, where our ancestors spent a good deal of time in painting on the cave walls highly colored and graphic pictures of the prehistoric bull: a most significant animal, as well, in the pre-history of American management. In the course of descending into the valleys of comparative civilization, management has recognized kinship to and mutual dependence upon others whose existence was formerly regarded as a positive threat to survival. The Norris-LaGuardia Act, the Wagner Act, the Taft-Hartley Act were no more than legislative recognition of this giant step in primitive management Man's comprehension of the world in which he lived.

Recognition of Unions by Managements, like recognition, by Primitive Man, of his cousinship to other descendants from common simian-like progenitors did not necessarily mean *acceptance*. The heaps of bones brought to light by archeologists in the caves of our ancestors testify to their warlike, bloody and cannibalistic practices even with regard to close relatives. The thick volumes of the reports of the National Labor Relations Board likewise testify to the sanguinary and pugnacious character of sectors of American management in respect of unions. Some unions have made their own generous and ill-considered contributions to this distrust and fear. Others have not, and the managements with which they deal have responded in a mutual effort to construct a progressively improving relationship.

Time does not permit an effort to describe many of the more recent changes and advances in Management philosophy, so-called, of the last two decades. Mention might be made of a new awareness of community and local responsibility—an awareness not shared by others which flock to the South when the shadow of the union organizer is noted. Probably reference should be made to the fact that, spurred by manpower shortages, especially in the technical fields such as engineering, many managements are developing a relationship with educational bodies and policies which may open a new and interesting vista in the history of American education.

It should also be noted that for several decades since Frederick W.

Taylor took up the stop-watch as his Bible, and Frank Gilbreth made an abstract visualization of human motion divorced from human personality in order to determine the one best usage of arms, legs and body, American management was on the road to efficiency by way of scientific management. Systems of efficiency spawned by the dozens and for a time it looked as though Aldous Huxley's depersonalized Brave New World was to be our own. But like many bright ideas, time and motion study, and highly technical and involved piece work and incentive systems, concededly desirable and satisfactory in many situations, proved not to be the cure-alls that they were represented to be by some. Indeed, many managements are seriously asking themselves the question these days whether, in the long run, in the face of employee, if not union opposition, hostility and non-cooperation their carefully designed and administered incentive systems are worth the candle. They dislike asking themselves this question because they fear the answer. The alternatives to management representatives are hardly more pleasant than the problems they struggle with today. The experiments conducted by Elton Mayo at the Hawthorne Works of Western Electric Co. at Chicago opened a new perspective to management representatives interested in efficiency. Human relations become the byword, and with human relations came the need to communicate with humans. To be sure it seems rather late in the history of mankind for management to have discovered the art or science of communication, but it is comforting to know that we are communicating at last—even if we are not always confident that what we are transmitting is really worth communicating.

With these novel, arresting and frequently progressive developments it became evident that Management ever on the alert for a new gimmick for achieving goals, was abandoning the authoritative dominion of men, as Daniel Bell puts it, and proceeding to persuasive manipulation. At this point I quote him as follows: "The ends of the enterprise remain, but the methods have shifted, and older modes of overt coercion are now replaced by psychological persuasion. The tough brutal foreman, raucously giving orders, gives way to the mellowed voice of the human-relations oriented supervisor. The worker doubtless regards this change as an improvement and his sense of constraint is correspondingly assuaged. In industrial relations, as in large areas of American society, accommodation of a sort has replaced conflict."

The exceptions to this analysis are legion, but if a trend may be

noted, I think that this is indeed one. We live in a world in which we are no longer satisfied in noting facts and events. We want to understand motivations, not only for historical purposes, but in order to command the future. If the care of infants from year to year is changed by the latest vogue in child psychology, why should Management, made up of representative Americans, be exempt from tomorrow's psychological fads? The shade of Dr. Freud occupies the empty chair at more and more corporate executive committee meetings. The corporate executive who seeks to untangle his personal life on the couch of his psychiatrist cannot but apply some of the learning he picks up to his institutional problems. Even the fiction writers are at work on this approach, as witness the interest in the televised plays "Patterns" and "Executive Suite". When the communicator, human relations expert, corporate development salesman or management psychologist makes his call, the reception he receives from our modern psychology-orientated corporate executive is bound to be a warm one. I do not mean to imply in these remarks that these new mechanisms are fakes and their professors are quacks, although as in all professions, some practitioners are a bit more honest and a bit more able than others. I do believe, however, that the pitfall of excess in these new directions yawns before Management just as the doctrinaire devotion to formula led many educational institutions to excess in executing the principles of progressive education, so-called. Even human relations can go too far. Sometimes the characters on both sides of the bargaining table, however lovable, are not completely human. Not every management foreman or the worker with whom he communicates, according to the human relations dogma of the plant, will qualify as representative or high-level humans.

In respect of the future, we stand at an interesting moment in time. The battle-scarred warriors on the Union side and the fearless heroes of Management, however indomitable they may be in the face of the enemy, are gradually submitting to the Iron Law of Attrition. *Homo Sapiens* is making his appearance. Every recognized college in the country gives courses in industrial relations. Economists, psychologists, sociologists, engineers, human relations experts, communicators and even professors of speech, get into the act. There are undergraduate and graduate schools by the scores, some better than others, where the cadaver of industrial relations is dissected with greater enthusiasm and curiosity than the human cadaver in medical schools. Many of the graduates of these schools find their way into management jobs; some into union jobs. Supervisors and foremen

go to school both in and outside the plant and acquire a body of knowledge of the human psyche and what it takes to make it behave just short of what is required of a lay psychoanalyst. The activities of the American Management Association, the Society for Advancement of Management and similar organizations conduct conferences, seminars and courses which themselves constitute a kind of big business in our society. Institutes for Management Development for all types of business executives convey to them the history, problems and the failures and successes of various experiences in labor-management relations. No management man is regarded as well-rounded unless he has been exposed to courses on unionism, its history, its aspirations, its practices. No union man is regarded as knowledgeable unless he knows much more about management, its practices and its goals than his predecessor in office.

I cannot but believe that this educational process will have far-reaching and revolutionary effects. This is not to say that tribal affiliation and practices will be dropped tomorrow and the lion will lie down with the lamb. Swords may be beaten into plowshares, but even a plowshare can be used to clobber an opponent into insensibility. Man has left the caves and most managements have accepted unions, but it is idle to pray for an end to conflict. The fact that Man, at long last, has not only recognized but accepted Woman, has not resulted in a cease-fire in the Thurberian War between Men and Women. The Aesopian term for this decade is co-existence; but whatever co-existence may be, and assuming that it is a good thing, we have no right to expect co-existence in the industrial relations sphere when it seems so desperately remote in the relations between national States.

Acceptance of unions by managements means that the way is open for a more intelligent way of minimizing conflict by recognition of those areas where interest is common and mutual. The future promises more peace and accommodation than we have had in the past; but also conflict. This is no occasion for mourning, however, and the wringing of hands. Conflict is an inescapable condition of life, industrial as well as personal life. It is better to accept it as a fact than to yearn unhappily for an idyllic industrial peace we shall never live to know. In the Book of Job it is said "Man is born unto trouble as the sparks fly upwards."



## DISCUSSION

LELAND HAZARD

*Pittsburgh Plate Glass Company*

Twentieth Century capitalism does a great deal of talking, and some thinking, about itself. The record does not indicate that the Greeks held frequent conventions to discuss *slavery*, although slavery was the foundation of their economy; nor does the record show that the barons assembled often to discuss *feudalism*, although feudalism was the economic basis for the medieval society. But of *capitalism*, the contemporary institution in which free men seek both material and spiritual goals, there is no end of discussion.

The most visible aspects of modern capitalism are the large corporation and the giant machine. The giant machine produces abundantly when efficiently tended by men. It is of men as components of the institution of capitalism that we speak in this session of the Ninth Annual Meeting of Industrial Relations Research Association.

The papers submitted by Professors Douglass V. Brown and Charles A. Myers and by Mr. Peter Seitz detail certain changes in American management's philosophy of industrial relations—changes which have occurred over the past two to three decades. Few would dispute the conclusion, upon which these gentlemen are in substantial agreement, that management today exhibits a somewhat more humane and a decidedly more psychologically sophisticated attitude toward men than management exhibited twenty to thirty years ago.

Brown and Myers list as causes for the change: growing labor shortages, increasing governmental intervention, increased union strength, increased size of business enterprise with attendant staff for specialization in industrial relations, and the divorce of management from ownership. I would add as an additional cause—one which may, indeed, underlie all the other causes—the increase of preoccupation in our American society generally with the claims of individual men to respectful, not to say deferential, treatment of their personal needs, both material and spiritual. The cause of this great change in the attitude of our society toward the individual we do not know. But the evidences of the change are abundant.

Our concern with the health of everybody, our attitudes toward mental illness, toward physical handicaps, our determined efforts to rehabilitate impaired bodies, to bring back to usefulness disturbed minds, our new feelings toward the aged (geriatrics is the science of helping old people to live, not to die), our improved penal institu-

tions, our concern with every human ailment from alcoholism to zymosis, our projects in child guidance, marriage counseling, individual case work—all show how much the individual human being claims our attention. We do not intentionally, not for long, permit social outcasts. No human clay is too broken, too mean or trivial, too “aimless, helpless, hopeless” for the concern of our society. We intend to prevent the fall of any single sparrow. In the northern half of the Western Hemisphere for the past thirty years man’s inhumanity to man has been on a rapid decline.

It is probable that management’s changing philosophy of industrial relations is but one facet of this broader movement toward increased respect for individual human beings. Just as Brown and Myers state that their offerings of causes for changes in management’s philosophy of industrial relations cannot be proved, so also I must make a similar concession regarding my supplemental offering. But speculation has its values. It helps in launching the investigations which sometimes determine conclusively what is concomitance and what is causation. Economists frequently question whether unions have been a significant factor in raising the general wage level. Now I raise the question whether management’s more accepting attitude of unions and more active concern for the welfare of the people who tend the machines is anything more than part and parcel of our growing humanism.

However that may be, a suggestion made by all three of the authors whose papers I discuss causes me to raise a caveat. The theorist would say that among the goals of business enterprise a primary objective is not better industrial relations. He would put it bluntly to emphasize the fact that were it not for the institution of capitalism with its modern aspects of the large corporation and the giant machine requiring vast aggregations of men to tend the machine, the concepts involved in industrial relations would not have arisen.

So let us work the theory through: There are two goals of business enterprise upon which all will agree: one is profitability and the other is perpetuity. Profits may yield from time to time to considerations bearing upon perpetuity, but in the end—through time—there must be profitability. Business does not survive on losses.

The goal of perpetuity needs little explanation. As the machine grows increasingly gargantuan the investment increases correspondingly, and a dynamic technology constantly calls for additions to the investment. Therefore termination of the enterprise becomes more

and more inconceivable, and the time when the accounts could be finally balanced and the books closed recedes into infinity.

It is within this framework of the inexorable necessity for profitability in order that there may be perpetuity for the enterprise that management must frame its philosophy of industrial relations—its attitudes toward men. I am well aware that we have come a long way from Robert Owen and the other Utopians to the present time. We have learned the power for productivity which lies in willing hands, and we have learned also the power for non-productivity which lies in unwilling hands. We have come from the English common law concepts of master and servant to the concept of enterprise in which the goals of capital and the goals of labor have sometimes been called identical. But have we now come full circle?

The theorist would continue: all institutions require administration, capitalism not the least. In the *economic* aspect of administration there must be allocations of resources deemed most efficient for the attainment of the goal of the enterprise. Since such allocations are matters of judgment, there must be authority. This is the *political* aspect of administration. Now how to fit the personal striving for self-realization of masses of individuals whose personal goals cannot coincide with such abstract concepts as profits and perpetuity—this is the sociological aspect of administration. There seems to be a conflict between the presently understood disciplines of business and humanism.

Mr. Charles E. Bidwell\* illustrates the dilemma by relating that when the Titanic sank, the pay of all stewards was stopped by the White Star Line as of the hour of the sinking of the ship. He editorializes, "The payment of staff, once the goal of the enterprise could no longer be achieved, was of no consequence to the organization . . ."

I suggest that much work is yet to be done to develop theory and practice adequate to accommodate the disparate goals of individuals to the highly disciplined goals of the business enterprise. Morally the need is great. Practically the dilemma is equally great. It is not enough to mouth slogans such as, "People's Capitalism". Real work is yet to be done. Humanism *is* altering capitalism. That is clear. But how and why and to what final end we need to ascertain with greater precision and certainty. It is not safe either to praise or to blame phenomena which are not understood.

\* See Harvard Educational Review, Fall 1956.

NEIL W. CHAMBERLAIN

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While I would agree with what Professors Brown and Myers have said, I would argue that better perspective would be gained if we concentrated our attention on management in the large corporations, which sets the tone of industrial relations in our country, and on top management, which regards industrial relations as only one—though an important phase—of business operations, and whose philosophy is one which comes out of its relation to the total society rather than to just their workers.

In this setting it seems to me we are dealing with a management group the older members of which, at least, went through the traumatic experience of the Great Depression, the central fact of which (to them) was not just the compulsion to recognize and deal with unions but the loss of their leadership position in society and the incurring of social suspicion. This carried threats not only to their prestige but to their survival in a way of life with deeply-held values.

The response of employers' associations—trade, N.A.M., Chamber of Commerce—was, in varying degree, a regretting of the fact, a contesting of the fairness of judgments being passed on business. Their behavior reflected the fact that in the American economy significant and decisive action comes not from employers' associations but from individual businesses, and especially from the large corporations.

In the large corporation there has been less regretting and more analysis, planning, and experiment. The amount of self-criticism which is carried on in big business is phenomenal—certainly in contrast to what transpires in unions. Top managements in large corporations realized that to recover positions of leadership in the economy at large, to insure the survival of independent business organizations, they must adopt new techniques. The result has been, as we have seen in the last decade, the emergence of a social business leadership, with the pace set by the large corporations. Public relations programs reflect this consciousness of the corporation's necessity of accommodating itself to the compulsions of the society of which it is a part, at the same time that it seeks to shape these compulsions.

In this process industrial relations have necessarily undergone re-examination, with the consequences noted by Brown and Myers.

But to the extent that this changing industrial relations philosophy characterizes top management, it is only one facet of a generally changed social perspective.

Management has acquired a new social philosophy, of which its industrial relations programs are a part. There is a "new creed for free enterprise." Like Brown and Myers, I do not think this is transitory. There is unlikely to be any reversion to previous type. Even if tactically a large corporation could crush a union, its strategic position would not permit it to do so. Such an action would undermine the position it has sought to reestablish in society at large, it would threaten the security of the large corporations as a sphere for private initiative. The "changing philosophy" of American management is a response to the question, what shall it profit the large corporation to gain mastery over the union (even if it could) and in the process lose its social position.

The large corporation has learned that however much the union may limit managerial initiative in the short run (and the limitation is not great), to accede (within these limits) to the union's role is a necessary condition for management's continuing to exercise its initiative in much larger spheres.

In some quarters the obvious self-interest of such a philosophy may invite scorn and skepticism. In my opinion it represents a wise and desirable adaptation by institutions which we could not do without, to social changes which, equally, we cannot do without. We may wish the unions as much imagination and success.

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## I. INTRODUCTION

Professors Douglass V. Brown and Charles A. Myers and Mr. Peter Seitz have contributed stimulating papers on a very broad and little explored subject. The objective of the papers is to show how management philosophy and practice in the field of industrial relations have changed in the past quarter century. The authors of each paper indicate that their analysis is based mainly on their own professional experience and acquaintance with the literature of labor management relations generally and that their conclusions "must necessarily be regarded as somewhat impressionistic."

## II. GENERAL OVERVIEW OF THE PAPERS

The authors are in substantial agreement that management's industrial relations philosophy and practice have moved constructively across the spectrum during the past twenty-five years. There can be no doubt as to the validity of this over-all conclusion, for, while no statistical demonstration is possible, manifestations of this general trend are evident on every hand.

The authors have clearly and precisely outlined in their papers the limitations which they imposed upon themselves, and they have done the job they set out to do. One might wish, however, that greater emphasis had been supplied, or the scope of treatment expanded, in three respects:

1. The papers understate, in my judgment, the change in management philosophy and practice which has occurred.

2. By focusing attention entirely on the last twenty-five years, with little reference or allusion to developing trends of earlier days, the papers may support the impression, incorrectly in my judgment, that these changes in management philosophy and practice are "revolutionary" in character or scope rather than representing an accelerated evolutionary trend.

3. By focusing on "trends rather than on absolute positions at given points of time," the papers fail to provide the reader with a clear, definitive picture of the authors' beliefs as to where we stand today in terms of the over-all shape and content of current management philosophy of industrial relations.

I would like to comment briefly on each of these points, directing attention to what Professors Brown and Myers term "workaday" philosophies and define as "the concepts that management acts and lives by in practice."

## III. MAGNITUDE OF CHANGE UNDERSTATED

Both the scope and the degree of the change in management philosophy and practice are understated. In the first place, the authors have omitted consideration of changes in the area of "personnel administration." It seems apparent that management's awareness and attention to this aspect of industrial relations has increased greatly over the past 25 years. This is reflected in the rapid spread of systematic selection and placement procedures, job evaluation and orderly wage and salary structures, standardized upgrading and

promotion policies, and formal training programs for employees at all levels.

With regard to relations with employees "as employees" the authors recognize that there has been a substantial trend toward greater consideration for the interests, aspirations and grievances of the individual employee. However, they view management's performance in the area of human relations as falling considerably short of the prevailing management philosophy.

My experience leads me to believe that management has translated philosophy into performance in this area to a much greater extent than the authors' appraisal indicates. Thousands of companies have active employee communications programs, through which employees are kept informed on company developments and management actions. Formal grievance procedures are a common fact of industrial life, and numerous other practices based on consideration for the individual employee are in widespread use.

The extent of the shift in management philosophy can be judged not only from the changes in patterns of practice in the work place, but also from internal records and documents of particular companies. Unfortunately, very little study of such sources has been made by researchers. The two statements quoted below date back beyond the period covered by the authors and hence assume a longer historical perspective, but they serve to underscore the substantial change that has taken place in management thinking and practice concerning relations with employees.

Ninety-nine years ago a retailing organization which is large and flourishing today issued an employee handbook containing the following :

Store must be open from 6:00 a.m. to 9:00 p.m. the year around.

Store must be swept and counters, bases, shelves and show-cases dusted.

Lamps trimmed, bins filled and chimneys cleaned; doors and windows opened; a pail of water, also a bucket of coal, brought in before breakfast (if there is time to do so) and attend to customers who call.

Each employee must pay not less than \$5 a year to the church and must attend Sunday School regularly.

Men employees are given one evening a week for courting and two if they go to prayer meeting.

After fourteen hours of work in the store, the leisure time should be spent mostly in reading.

More than forty years ago one of our present large manufacturing concerns instituted a bonus or profit-sharing plan. All employees were investigated and had to meet certain tests in order to participate in the plan. The investigators asked the following questions:

Are you married? If married, how many dependent upon you? If single, how many dependent upon you and to what extent? Relationship of dependents? Residence of dependents? Married men: do you live with your wives? Have you ever had any domestic troubles? Are your habits good, average or bad? Have you a bank account? What is the name of the bank, the number of the book? Last employment? Reasons for leaving? Would your home conditions be bettered were your income increased? Would you be willing to follow some systematic plan of saving suggested by the company?

Participants in the plan had to be proved thrifty and this was explained to the investigators in this way:

By this we mean that the employee shall not be addicted to the excessive use of liquor, nor gamble nor engage in any malicious practice derogatory to good physical manhood or moral character; shall conserve his resources and make the most of the opportunities that are afforded him in his work.

#### IV. A LONGER HISTORICAL PERSPECTIVE

Just as you can gain increased understanding of the union movement of today by studying the earlier history through the works of Commons, Perlman, the Webbs, Hoxie and others, so an adequate understanding of changes in management philosophy over the last twenty-five years must be set within a framework of a longer historical perspective.

The history of our industrial system for the past 150 years could perhaps be characterized accurately as "an age of ferment." Employee dissatisfaction and discontent manifested itself in various ways and management and government were not immune from the impact of the building pressures. It was not until the 1890's that the union movement became essentially "stabilized" in its approach and method, a stability which continued without major change until the 1930's. During this period you can find evidences of change in both govern-



mental and employer approach to matters of industrial relations. Managements were becoming increasingly concerned, and you can find in the 1890's what I would term the first steps in the evolution of a constructive industrial relations approach. One cannot write off, as without major significance for our purpose here, the implications of the rise of the scientific management movement, the growth of employer interest and concern in training and employee welfare and facilities, the development and gradual spread of employee security plans (profit sharing, stock ownership, pension, group life insurance), the creation of company "labor" or staff departments or units, the growth of job classification and systematic patterns of wage and salary administration, and others.

During these years, beginning in the 1890's, there was groping experimentation, many mistakes, but nevertheless significant change and progress. The process of change has been substantially accelerated during the past twenty-five years, but this change rested on a foundation which finds its antecedents in the earlier past.

#### V. AN OVER-ALL VIEW OF MANAGEMENT PHILOSOPHY

Management in large organizations has always been surrounded by pressures—from employees, unions, bankers, customers, suppliers, stockholders, government, and others.<sup>1</sup> These have varied over the years in character and intensity, but such pressures have been an established feature of industrial life for many years. These influences, together with the important changes in the business scene to which earlier reference has been made, have been associated with a changing philosophy of management regarding its over-all responsibilities.

Three years ago I briefly summarized my view as to the nature and direction of this change in these words:

Thus, over the years, the philosophy of top management—top management's concept of its own job—has been in the process of transition. It has been changing from a philosophy that the stockholders' viewpoint "should outweigh any other consideration" to the philosophy that top management must maintain "a workable and acceptable balance among its shareholders, its employees, its customers, and the public at large." It is obvious that top management is beginning to see its role as one of protecting the survival of the company as an

<sup>1</sup> R. A. Gordon, "Business Leadership in the Large Corporation," 1945, 369 pp. (The Brookings Institution, Washington, D. C.)

institution. In so doing, top management sees itself surrounded by pressure influences, the stockholders, unions, and many others whose interests sometimes run in parallel and sometimes in opposite directions, with top management having to set up "what it believes to be a fair policy for each one" and then enforcing it "firmly."<sup>2</sup>

Despite the contribution made in these papers, there remains a compelling need for more comprehensive, detailed, and definitive historical research in this important area. The teacher, the student, the businessman, the public servant in government—all have available to them comprehensive and authoritative studies on the evolution of the trade union movement, on the changing role of government as manifested by evolving legislation and other forms of government participation or intervention. What is lacking are definitive studies of a third element in the equation—the evolution of managerial policy and practice in industrial relations.

<sup>2</sup> "Labor Policy and the State of Business." Proceedings of the Academy of Political Science, January, 1954, p. 95.

## **Part V**

# **MAJOR POLICY ISSUES IN SOCIAL INSURANCE**

# UNEMPLOYMENT INSURANCE AND WORKMEN'S COMPENSATION

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THIS PAPER UNDERTAKES to identify some of the major trends which have emerged from American social insurance experience over the past 20 years and important policy issues which arise from them. We do not intend to be, nor can we be, exhaustive. These are simply a selection of trends and issues which seem both interesting and significant at this stage of social insurance evolution.

## I

*The instrument of social insurance has been accepted as the keystone of American social security and the programs based on its principles are now established parts of the American institutional structure.*

After considerable debate and challenge, social insurance has been endorsed by virtually all segments of the population and has ceased to be an issue between our major political parties which now vie for credit in strengthening the programs. While we need not stop here to define social insurance, the principles to which we refer include: financing through payroll contributions, benefit eligibility upon the occurrence of the specific risk unrestricted by any means test, and differential benefit rates substantially related to past earnings and contributions. While there remains a smoldering opposition in some quarters, all attempts to substitute means test programs, flat universal pensions or variations thereof, whether undertaken in legislative chambers or through private sponsorship, have conspicuously failed.

Some of the most influential and articulate voices in favor of expanding and liberalizing now come from the political party formerly identified with opposition. Emphases do, of course, vary widely among the many interests deeply involved in the vital processes of social insurance and these differences are reflected in varying, even conflicting, policies and administrative structures. There is marked disagreement on the desirability, as well as the method, of extending social insurance to additional risks.

But amidst the continuing debate and experimentation there stands a framework of consensus on a basic system of social insurance

programs incorporating the principles enunciated above. The point is important to note because the phenomenon is not in the nature of things. There were indeed periods during the slow maturation of OASDI when survival of the basic principles was seriously threatened. Without planning and adaptation it could happen again.

This broad acceptance results partly from our good fortune in experiencing an almost continuously expanding economy during the whole period of significant social insurance development. Progress has been easier and much less costly than would otherwise have been the case. This is not necessarily faint praise. As we do and should plan in terms of a dynamic economy, our social insurances may properly be tested in regard to their appropriateness to that kind of economy and society.

Many other factors have also contributed to the general acceptance of social insurance. The method of financing and the character of benefit payments have virtually eliminated any association with the unpleasant concept of a "dole." Certain honest fears which many people harbored failed to materialize. The fear that public social insurance might lead to excessive governmental restriction on individual decision-making has proved illusory. The same can be said of fears that its availability would curtail private savings and private insurance provision or inhibit capital formation. As we all know, the reverse has proved true. Insurance officials acknowledge that the example and the basic security offered by public programs have greatly contributed to the growth of private retirement and life insurance, for example.<sup>1</sup> Fears of inordinate costs and widespread malingering also proved unfounded.

On the more positive side the bulk of the population is becoming aware of its great financial stake in the system. For example: in the case of an insured worker aged 35, earning \$4,000 a year, with a wife of the same age and three children, aged 10, 8, and 3, a not untypical pattern, the survivor benefits to the family, should he die this year,

<sup>1</sup>The Director of Life Insurance Information of the Institute of Life Insurance writes: "The creation of the government benefit program has not diverted large segments of the insuring public away from insurance but has on the contrary increased the number of persons turning to insurance for amplification of the sustenance base provided by the plan. This trend has been seen with the introduction of each new project for mass protection. When the Social Security Act was adopted in 1935 it was widely predicted that life insurance, especially industrial life insurance, would be seriously curtailed. In fact, the life insurance in force has more than tripled in the intervening years, and even industrial insurance has increased to 2½ times the 1935 aggregate." Chester C. Nash, "The Contribution of Life Insurance to Social Security in the United States," *International Labour Review*, July, 1955, pp. 24-25.

would come to approximately \$44,000; should he and his wife live to 65 the capital value of their old age retirement insurance would represent about \$20,000. The financial value of the insurance protection now available under OASDI is about the same as the aggregate in force with all private insurance companies in the country. Nobody has attempted to keep such information confidential and if at times an average worker looks at the social insurance structure in approximately the same spirit that a broker examines the condition of the stock market, it may not be wholly surprising. There is also steadily increasing acceptance of social insurance by the business community, which has effectively built it into a more productive system of industrial relations and also looks to it as an important source of economic stability.

The continued strength and integrity of American social insurance cannot be taken for granted, however. It is hardly necessary to point out that a prolonged depression or other catastrophe might topple the structure along with other parts of our institutional culture. The system will be called on to expand and give protection to more persons in a growing nation as well as to meet additional risks in areas for which the necessity of social insurance is still challenged. Programs already in existence will require continuous adjustment, often through legislative action, just to maintain their accepted character and levels of achievement in the face of many environmental changes. Financing will become more complex. Administration will be both more difficult and more vulnerable. The purposes and methods of the programs will require more public understanding. Destruction of basic principles can occur through neglect or ignorance, as well as from various short-sighted pressures to find an easier or cheaper way, while inevitable adaptation is taking place.

## II

*Social insurance has followed a pluralistic pattern of development characteristic of other American institutions. This applies both to the number and diversity of social insurance programs themselves as well as to the number and variety of supplementary programs.*

Most of our programs have followed a highly decentralized pattern. The 52 distinct unemployment insurance jurisdictions all operate under different laws with varying benefit provisions, contribution rates, and administrative procedures. The federal government's role in relation to standards is minimal. The 54 separate workmen's compensation jurisdictions have no tie-in whatever with

the federal government, except for the strictly federal programs. The same is true of the four state temporary disability insurance laws. The only major federally operated program is OASDI and even here state agencies have recently been given administrative functions in connection with the disability provisions.

For a brief heady period Americans talked as if the eventual full development of social insurance might eliminate the necessity for public assistance and perhaps many other welfare services as well. This expectation is no longer enunciated, even in legislative chambers. Public assistance and related welfare programs are now recognized as an essential supplementation of social insurance. Social insurance cannot be designed to meet every individual need. Eligibility is not universal. Supplementation will always be required in individual cases. Absolute amounts spent for public assistance—about \$3 billion in 1955—will continue to be large. Nevertheless, the proper development of American social security requires that public assistance should continue to decline relative to social insurance. The Twentieth Century Fund, in its recent *America's Needs and Resources*, predicts, however, that we will continue to spend somewhat more than we need to for public assistance because social insurance will continue to be inadequately developed.

During the past decade, the competitive co-existence of public assistance and social insurance programs proved both a threat and a useful discipline to social insurance. It was during the period when old age assistance payments were averaging better than OASDI benefits that the latter's integrity was most jeopardized. If old age insurance benefit payments should again fall to a point where they are not substantially better than old age assistance or where a substantial proportion of OASDI beneficiaries also require old-age assistance, we would have a clear signal that the whole insurance structure is in danger. In England, for example, the fact that National Assistance Board allowances are now on average as good or better than retirement pensions has, understandably, caused increasing resistance to insurance contributions by English workers and some discrediting of the insurance system.

#### PRIVATE EMPLOYEE PROGRAMS

Perhaps the most striking recent development in income security has been the rapid growth of private employee benefit plans. Contributions to such programs amounted to over \$6.8 billion in 1954 and, by now, are probably running at an annual rate of \$8 billion or

more. Their reserves have recently been estimated to exceed \$25 billion. Clearly our governments have not established any monopoly in the field of income maintenance. On the contrary, the existence of the public programs—as well as proposals for public action which did not materialize—has been a major stimulus to private pension plans, supplementary unemployment benefits, and other forms of private group insurance. By now, the size and scope of the private plans are such that they can and do influence the pace and character of the public programs.

One significant question is whether the expansion of private programs will retard or advance the development and coverage of public plans in the fields of temporary disability and medical care. A distinction may have to be made between short- and long-run influences. At present, the effect appears to be against general public programs. By the end of a decade, however, it seems likely that the tendency will be gradually reversed as the inevitable inadequacy and discriminatory effects of depending solely upon private schemes will become more evident.

There is still a tendency in some quarters to think of private and public plans as in a competition which must be resolved in favor of one or the other. Some with special interest in public programs often speak as if their full and proper development would end the desirability of private plans. On the other hand, some with primary sympathies in the other direction allege that the full development of private plans would avoid the need for new public programs in such fields as temporary disability insurance, for example.

Both arguments fail to recognize that there are different functions to be served by the two types of programs; neither can wholly replace the other. Moreover, their interaction offers more assets than liabilities. Private benefits can have a liberalizing effect upon public benefit levels; public plans provide an essential underwriting of private ones.

An issue which may receive more attention in the future is whether, in view of the potential for duplication and high combined costs, the public programs should grant some form of recognition to the availability of private plans in their benefit structure. While it is feasible and often desirable for private programs to take into account the public provisions in whatever way they find most useful, it is highly doubtful whether any governmental attempt to take private benefits into account could prove administratively feasible or desirable.

Americans believe in the propriety of more than one form of protection for the same risks. We frequently have three types of



insurance simultaneously: social, private group, and personal. It is not necessarily correct to use the term "duplicating" or "overlapping" for such phenomena. We think of them as supplementing and underpinning one another, reflecting the individual's drive to do "better."

Without detracting from the admirable achievements in the private sphere, it can be pointed out that they have been somewhat over-advertised. Private group coverage will always be incomplete and spotty. For example, as late as 1955 only about 13 million employees were covered by retirement plans. Even in a large proportion of these cases, coverage will prove illusory. In most instances eligibility for a pension is dependent upon long continuity of service with the same company. There is little vesting, and employees must usually be with a particular firm at the time of their retirement. At present only 2 million workers are covered by supplementary unemployment benefits.

Private plans are and should be voluntary. They will continue to depend upon the financial position of the individual firm, the strength and interests of the individual union, and similar factors. The plans should and will differ widely. One of their major purposes is to bind the worker more firmly to the establishment. The rapidly increasing stake of workers in continuity of employment with the same firm, particularly in connection with higher skilled seniority workers, is causing considerable articulated concern among economists. It is proper for a company to plan its programs to maximize loyalty and constancy to the firm. But public programs must help sustain the freedom of mobility so necessary for the economy as a whole.

In his 1956 Economic Report to the Congress, President Eisenhower said, "It would . . . be helpful if business firms reviewed their pension programs with a view to making the vesting privileges more liberal. . . ." It might be well to recognize this value as a matter of public policy, and to encourage it through adjustment of the internal revenue laws. But the most direct and effective thing government can do to balance the rigidifying aspects of the private plans is to make certain that the benefit levels of public plans offer adequate security in themselves. For these and many other reasons governments have no sound alternative in a free economy but to establish benefit levels and to determine risk coverage independently of private plans. Private businesses must also be left free to arrange their programs, if any, as they find most appropriate to the conduct of their business.

## III

*Coverage of additional risks has been slow and spotty. The next major controversies are likely to center on temporary disability insurance and on medical care.*

The two major advances in risk coverage since the original Social Security Act are both within the OASDI structure: the addition of survivors benefits in 1939 and the 1956 permanent and total disability insurance program. Payments for the latter will begin in July, 1957 and be limited to workers 50 or over who are "fully and currently" insured and have a record of regular and lengthy labor market attachment. The benefit will be the same as the primary retirement benefit, but there are no increments for dependents. It is estimated that about 400,000 persons will be eligible to receive benefits in the first year of operation and about 900,000 by 1970. It can be anticipated that when the original fears regarding administrative feasibility subside, probably within a few years, the age requirement will be lowered or removed, especially since the additional costs would be quite low.

Actually, there is an even stronger case for coverage of disabled workers under 50 than for older ones. The man of 30 to 50 is likely to have heavier dependency responsibilities than the older worker. He is also more likely to be rehabilitable for gainful employment and he would have more years of productive contribution to the economy. The present law places emphasis upon, and includes practical incentives for, vocational rehabilitation. The availability of carefully administered cash benefits should prove an effective adjunct of an enlarged and accelerated rehabilitation program.

More heated arguments will be generated by the question of extension of temporary disability insurance now limited to four states and railroad workers. Here the debate does not center on the merits of the case, or the need for such protection, but rather on such politically volatile questions as degree of federal participation, states' rights, and private insurance versus public financing. The deadlock over the latter issue—state funds versus private insurance financing—has been the chief factor preventing any state from passing a TDI law since 1949. Equally important, however, is the question whether we are to have a system in which all the states have independent and unrelated programs, regarding which there is no way of obtaining adequate comparative information, as is the case in workmen's compensation. This may, in the long run, prove to be the more

important hazard to a successful system. We should not allow temporary disability insurance to take the anachronistic and anarchistic road of workmen's compensation.

During the early forties the federal administration proposed a TDI program within OASDI. Such a proposal is likely to be effectively resisted for a long time, although the continuing deadlock at the state level is leading to increasing support for this idea. A possible compromise might lie in federal tax-offset legislation similar to unemployment insurance. Whatever objections there may be to the working of the present unemployment insurance model, it does seem clearly preferable to the present drift.

When permanent and temporary disability coverage is achieved we will have to face up to the issue of how to recast our oldest social insurance, workmen's compensation. Non-occupational disabilities now outnumber occupational disabilities some ten to twenty-fold. The survivorship aspects of workmen's compensation are already substantially overlapped by OASDI. The complex etiology of disease and disability is making it increasingly difficult, if not impossible, to distinguish occupational from non-occupational origin and causation. With the development of various forms of health insurance protection for many workers the advantages of undertaking to prove occupational causation, often litigiously expensive, will be considerably diminished.

Workmen's compensation, once our only disability program, is destined for a declining and minor role in the field. In planning its future, if it is to survive as a separate program, two of its present undertakings might be explored for further development. The first is the strong trend towards compensation for anatomical loss, as such, irrespective of wage-loss, the principle upon which all compensation was originally based. If income maintenance, on the basis of wage-loss, is substantially undertaken through other social insurance media it may well prove desirable that those whose injuries involve physiological loss of bodily members or disfigurement clearly resulting from occupational causation should receive additional special awards. Second, while workmen's compensation agencies have thus far shown little practical initiative in the rehabilitation field, they have demonstrated awareness of the great new challenge and want to move in the right direction. This may afford them their greatest opportunity. As a small, specialized, and relatively inexpensive operation, workmen's compensation could act as an experimental laboratory for more advanced and thorough rehabilitation work than

might perhaps be available to the vast multitudes requiring such services.

#### MEDICAL CARE

Medical care is the most conspicuous, and controversial, gap in our social insurance structure. In part this is being filled by steadily expanding government expenditures, which now amount to almost  $\frac{1}{3}$  of combined public and private health and medical expenditures. In part the gap is taken up by private health insurance. But the administration appears persuaded that these are not enough. It is disturbed by evidence of mounting pressure to provide medical care through public assistance for "medically needy" persons who can meet all other normal costs.

It will press for some sort of governmental action with respect to medical care insurance. It may again propose federal reinsurance of, and possibly subsidies to, voluntary programs, and this time it is more likely to succeed. OASDI beneficiaries are likely to obtain some form of health insurance within the next few years.

The next decade is indeed likely to be one of lively experimentation in various directions to find means, short of comprehensive national health insurance, to deal satisfactorily with this difficult problem. While every fair chance should be given to such measures, prudence and realism require the anticipation that they may not prove sufficient, and eventually the nation may be obliged to move toward a more comprehensive approach to public health insurance.

We should make effective use of the time available before the difficult policy decisions may have to be faced. One step was taken when President Eisenhower signed Public Law No. 652, July 3, 1956, authorizing a national health survey program to include continuing surveys and special studies to determine the extent of illness and disability in the United States and to collect related information concerning health problems.

It is also important to evaluate thoroughly the great variety of health insurance experience at home and abroad. There has been much loose talk about public health insurance as if that term described some specific set of institutional arrangements. The comparative experience of the widely differing programs in Western Europe, for example, would be especially useful. The differences include type of coverage, eligibility, financing and administration. But probably the most fundamental difference, and the one on which our most important decisions will have to be made, is between a health service, a cash indemnity program, or some combination thereof. It will also be essential to consider whether medical care lends itself effectively

to the social insurance principles we have found most suitable for income maintenance or whether a different type of financing and coverage is indicated.

#### IV

*There has been an uneven but steady expansion of covered employments in the major programs, but the limits of feasible expansion differ between the long- and short-term programs. Eligibility trends also differ between the two types of programs.*

From a relatively modest beginning, limited to less than  $\frac{2}{3}$  of U. S. jobs, OASDI now covers about 9 out of 10 persons in paid employment, plus their dependents. Among those whose earnings exceed \$400 a year the only significant groups not now covered are certain public employees and self-employed physicians. In this area, we are not far from the closest feasible approximation of universal coverage.

The average number of workers covered by unemployment insurance has increased from approximately 36 percent of the labor force in 1938 to 61 percent in 1955. This represents about 80 percent of wage and salary workers. Most of this progress came before 1946, but strong sponsorship from the President in 1954 helped achieve the first significant extensions through federal legislation since the original act, by extending the federal tax to employers of 4 or more (previously 8) and covering federal employees. About 12 million workers are still excluded; nearly 40 percent of these are employees of state and local governments. The fact that 14 states have some coverage of public workers and 18 have abolished size-of-firm exclusions indicates that further improvement in these areas is probable. There is less basis for optimism with regard to farm workers, agricultural processing employees, and domestics.

Workmen's compensation has been almost immobile with respect to coverage in recent years. Our best estimates now range from  $\frac{2}{3}$  to  $\frac{4}{5}$  of employees. The exclusions are in the main similar to those under unemployment insurance, and the discriminations seem largely arbitrary. Agricultural workers, excluded in the great majority of states, have higher-than-average injury rates. While some occupations are excluded because they are considered too hazardous to insure, others are left out because they are insufficiently hazardous. There has been conspicuous public indifference to workmen's compensation, as compared to other social insurances, during recent years and little effective pressure can be expected to eliminate the present arbitrary restrictions.

## DIFFERING ELIGIBILITY TRENDS

Coverage and eligibility are not synonymous. Even in OASDI, where 9 out of 10 jobs are covered, only about 50 percent of those 65 or over can now qualify for benefits. However, the percentage is expected to rise to 65 percent by 1960 and to 86 percent by 1980. This program has had a consistently liberal approach to eligibility from the beginning. This is partly because the risks and the needs are of a long-term character and those affected would be most likely to fall upon public assistance if not provided with insurance. Perhaps even more important, long-term beneficiaries—the retired, the permanently disabled, and surviving families—are presumably outside the regular labor market. Hence fears of malingering are less relevant. Such fears were strong enough to obtain the present stringent limits on the new permanent disability program but, as it develops, they are likely to be progressively relaxed.

On the other hand, in the short-term programs, especially in unemployment insurance, severe eligibility restriction has set in and, unless definite steps are soon taken to reverse the present trend, will continue to the eventual serious detriment of the program. Admittedly, the problem of eligibility for unemployment insurance benefits is complex. It is not always easy to determine whether a worker is really involuntarily unemployed. However, the difficulty has been aggravated by introduction of new tests of eligibility or grounds for disqualification which were not contained in the original laws and are contrary to their spirit. We have been witnessing a steady increase in the number of disqualifications as well as far severer penalties. An example is the trend to disqualification of formerly eligible unemployed workers—those who quit with “good cause”—if the cause is not directly attributable to their employers.

To the extent that this is a reaction to the problem of malingering it is misguided. We are learning from careful studies that the phenomenon of malingering is not only a declining one but is a specialized problem, largely confined to women, youth, casual and other workers with brief or irregular attachment to the labor market. The case for confining eligibility for unemployment insurance benefits to workers with substantial work records is strong and should be dealt with forthrightly by adequate eligibility requirements with respect to work attachment, length of covered employment and wage credits. But this is a matter quite different from the indiscriminate trend in disqualifications and punitive penalties we have been witnessing.

## V

*Benefits have, on average, been rising more rapidly than the cost of living (consumers price index) but have fallen proportionately far behind wages. There has been a marked movement toward de facto flat benefits. Benefits have also become increasingly oriented toward the family unit rather than to the individual insured. However, different patterns have emerged for the short- and long-term program.*

In July 1956, the average OASDI monthly benefit to a single retired worker was \$62.91. Since the program was designed to "mature" gradually, with benefit rights to be maximized slowly over a long period of years, comparisons with earlier figures are of limited validity. With that qualification it may be noted that the primary monthly benefit in 1940 (under a different formula) averaged \$22.60. The basic figure is still rising rapidly. It is expected that 70 percent of new beneficiaries coming on the rolls between 1955 and 1960 will get between \$75 and the \$108 maximum.

Even more significant is the fact that OASDI, like the railroad retirement system, has been converted from an individual benefit program to a family program with heavy emphasis on presumptive need based on family composition. The surviving family of a deceased insured worker with three dependent children may get the maximum of \$200 a month even where the father's own primary benefit would have been as low as \$80. Presumptive need also plays a large role in the primary benefit formula to which all dependency and survivor benefits are related. While the benefit amount depends upon an average of previous covered earnings, the formula is "bent" to give larger proportionate amounts to the lower paid worker.

In unemployment insurance, from 1939 to 1955, average weekly benefits from total unemployment more than doubled, rising from \$10.66 to \$25.04, thus more than keeping up with the consumers price index which increased 93 percent in the same period. But average weekly earnings in manufacturing industries rose from \$24 to \$81 in that period, or about 320 percent. The benefit-earnings ratio, including dependents' allowances, fell from 41 percent of the average wage of covered workers in 1939 to 32 percent in 1955. The decline is sometimes justified by the fact that potential duration of benefits has been increased by an average of about 10 weeks during the same period. Nevertheless, during the past five years between  $\frac{1}{5}$  and  $\frac{1}{4}$  of all beneficiaries exhausted their benefit rights before finding employment.

The states have generally established a theoretical benefit standard of roughly 50 percent of the previous wage level. In 1939, when the weekly maximum was \$15.00, only  $\frac{1}{4}$  of weekly payments were at that level, which meant that at least  $\frac{3}{4}$  of payments represented 50 percent or more of wages. The number of payments made at the maximum rate had by 1954 and 1955 reached 63.2 percent and 59.5 percent, respectively, although most states had, by then, moved the maximum up to \$30 a week. In Massachusetts, 82.5 percent of payments were at the maximum. Michigan reports that, from 1945 to 1954, 79.1 to 91.1 percent of beneficiaries received the maximum. At the end of 1955, after a year of unusual legislative activity, only one out of 8 workers lived in a state where the *maximum* weekly benefit (exclusive of dependents' allowances) was as high as half of the statewide *average* weekly wage.

Dependency allowances play a minor role in unemployment insurance. Eleven states allow increased benefits for dependent children, but these are generally meagre and they have a small average effect on benefit levels.

In workmen's compensation, no national benefit figures are available. In 1939 half the state laws provided weekly maxima of less than \$20 a week and \$25 was the highest. But at that time, these were generally high enough not to nullify the  $\frac{2}{3}$  benefit-wage ratio typically specified. By 1953, only 5 states had maxima high enough to permit workers with average wages to be paid the statutory percentages.

Instead of the  $\frac{2}{3}$  ratio written into most workmen's compensation laws, the actual benefit-wage ratio is estimated to have fallen over the past decade from about  $\frac{1}{2}$  to  $\frac{1}{3}$  or less, even in temporary disability cases. With regard to permanent disability and death benefits, which are limited not only by a weekly maximum but also by duration and aggregate maxima, the ratios have sunk so low as to end any rational claim to being either wage-related or related to any other explainable criterion, even the relief standard. In 1952, Illinois, for example, reported that its workmen's compensation program was meeting 14 percent of wage-loss in permanent partial cases, 13 percent in permanent total cases, and 6 percent in fatal cases. Scheduled awards for permanent partial disabilities have deliberately converted payments into flat amounts in accordance with the category of disability.

#### RECONCILING BENEFIT CRITERIA

Both our laws and our articulated theories generally state that



basic levels are to be varied in relation to individual wage-loss, expressed in percentage terms, qualified by a monetary maximum. In long-term benefit programs, like retirement and survivorship, this principle of wage-loss compensation has been counter-balanced by considerations of presumptive need based on family composition. As permanent disability insurance develops, the trend will probably be seen here as well. To some social insurance adherents the spread of family benefits is disturbing because it appears to represent a threat to the basic principle of differential benefits related to previous earnings. They point out that family related benefits tend toward flat rates.

This represents an ancient problem in social insurance, the problem of reconciling equity with adequacy. The wage-loss principle has become entrenched in American theory because of its apparent equity in a contributory system, and because it is an essential basis for justifying high average benefit levels. However, wage-loss alone is not always an adequate gauge of presumptive need, and presumptive need must be given some account if social insurance benefits are going to prove adequate for the preponderant majority of recipients.

In programs with long periods of average benefit duration, previous earnings are less significant as an index than in the short-term programs which fill gaps between normal periods of wage earning. The OASDI pattern represents a reconciliation of the two principles. Despite the heavy weighting for dependents in the benefit formula the basic amount to which the family allowances are attached is proportionate to an index of wage-loss, although the proportion is skewed in the direction of the lower-income worker. And the allowances are also expressed as a proportion of the basic benefit, not as flat sums.

In the short-term programs, family composition has not had such a significant development. In the short run, the wage-loss is generally a pretty good index of presumptive need. While the need for dependency allowances is admittedly less in such programs, there is a useful place for family obligations being taken into account. It is interesting that at least two states—Illinois and Michigan—are now experimenting with the use of earnings-related dependency allowances as a way of selectively breaking through the otherwise rigid weekly maxima.

#### THE PROBLEM OF OBSOLESCENCE OF ABSOLUTE NUMBERS

The basic principle of American social insurance that benefits be varied in proportion to individual wage-loss has always been qualified by maxima which in theory were to keep the highest paid workers

from drawing exceptionally high benefits. However, as the figures demonstrate, in a dynamic economy the qualifying maxima become more important than the accepted primary principle. The actual percentage of wage-loss compensated is, in the large majority of cases, much lower than the statutory standard. Ceilings have come to approximate flat uniform benefit payments, which we claim to reject in theory.

If, as we believe, Americans do not really wish to change the basic principles of their benefit system, some urgent matters need attending. It is agreed that maxima must, for the foreseeable future, be accepted as part of our benefit patterns, but the destructive fallacy of statutory absolute numbers can be avoided. Statutory fixed dollar figures not only destroy the wage-loss ratio stated in the laws but also, ironically, lead to abdication of control over the effective formula. When a legislature determines what percentage of wages it wishes as a benefit standard, it should also determine approximately to what proportion of workers it wishes that standard to apply. This can be done by setting the maximum weekly benefit as a percentage of average weekly wages in covered employment. Translated into dollars, the maximum would vary as the average wages in covered employment vary.

As a result of social insurance tax provisions such data are now readily available for all states as well as the nation as a whole. The establishment of the dollar maximum figure would thus be a simple administrative calculation, which could be recomputed annually. Such a device is not without precedent; Utah employs a system of this general character for unemployment insurance benefits.

A second factor of a similar character relates to the long-term programs where benefit formulas are dependent upon a concept of wages averaged over the course of a lifetime. Even assuming a constant price level, earnings at age 20 or 25 are not very instructive with respect to wage-loss suffered when a worker is severed from employment 40 years later. Moreover, steady inflation makes any monetary figures covering a period of 40 years meaningless in relation to wage-loss. It has been pointed out that a worker with relatively constant real wages over the course of a lifetime will, assuming a 2 percent annual increase in prices, have the real average of his wages understated by 50 percent when calculated at 65. For many reasons lifetime averages are arbitrary and misleading.

To cope with this problem, two qualifications were recently added to the average wage formula in OASDI: the privilege of "dropping out" the five poorest wage years, and the "disability freeze"—years of

total disability omitted from calculation of the average. Already the statistics indicate that these changes are bringing us much closer to realistic averages. But results will continue to be unsatisfactory unless we move more forthrightly toward acceptance of the implications and purposes of the two amendments. This can be done by confining the calculation of the average to the best 5 or 10 consecutive years of work. Many private and public employee pension plans use a formula of this type.

A third point applies to both long- and short-term programs. We must be more alert to the need for adjustment of the monetary tax base. If differentials are to be meaningful, the wage-base on which benefits are calculated must be broad enough to reflect differences in earnings. As wages move up, the continuing disregard of earnings above \$4200 in OASDI would result in increasingly higher proportions of beneficiaries receiving the maximum amount. More and more workers have only a part of their earnings credited toward OASDI benefits. When the wage base of \$3000 was adopted in 1938, only 6 percent of men working regularly in covered employment had earnings in excess of the amount which could be credited. By 1955, this proportion had moved up to about 50 percent, even though the base had been increased to \$4200. Obviously, a substantial increase in the base is now overdue. It is equally important that the figures be adjusted in the future so that at all times they encompass the actual earnings of a very substantial majority of regular workers.

A relatively high tax base is better for other reasons as well. It is important for public understanding of cost and comparability of data that the rate reveal approximately what proportion of payroll is going into social insurance programs. It also helps to prevent payroll taxes from being more regressive than necessary. It is better to have a specified amount of funds raised through a lower percentage rate on most of actual payroll than the same amount through a higher rate on only a small part of actual payroll. The situation is more extreme in unemployment insurance, where the federal tax rate still applies to the same \$3000 as in 1939.

Such reforms would not secure adequate benefit levels, nor would they control such levels. They would present a clearer picture of whatever benefit levels were finally determined by legislative bodies, and offer a better basis for future policy evaluation.

At what point should maxima be set? It is again important to distinguish between short-term and long-term programs. Unlike the long-term programs, wherein a person may be expected to undertake

some major adjustments to a new way of life, the short-term benefits, such as unemployment insurance, are intended to bridge the gap between normal periods of earnings and are specifically intended to avoid basic changes in standard of living.

The most recent survey of unemployment insurance beneficiaries, conducted two years ago in Pittsburgh, Pennsylvania, a state whose benefits are of better than average generosity, indicates that by and large unemployment insurance is not achieving this objective. The results showed that beneficiaries spent far more for food, shelter, and other necessities of life than they received in benefits. This would suggest that the effective departure from wage-related benefits has also resulted in inadequate benefits even if measured on the basis of need. Furthermore, if the counter-cyclical objective of unemployment insurance is to be effective it must be able to replace a far greater proportion of total wage-loss than is now possible.

By almost any standard of measurement it seems imperative that unemployment insurance benefits be raised substantially. President Eisenhower has recommended that the states change their benefit provisions so that "payments to the great majority of beneficiaries may equal at least half of their regular earnings." "Great majority" is a flexible term but appears to suggest that the dollar maximum should be set at about 70 percent of average wages. The Federal Advisory Council on Employment Security recommended in 1954 that the weekly maxima be equal to 60-67 percent of the state's average weekly wage.

These recommendations do not mean that individual workers would receive a benefit of more than 50 percent of wages, but only an increase in the proportion of workers who would not be cut off from receiving that amount by the dollar maximum. If we were to approach the originally stated goal of 50 percent of individual wages for most beneficiaries it would represent an enormous gain for the economy if workers, with bona fide job attachment, were given benefits which would permit them to maintain a reasonably high reservation price while seeking other work or waiting for re-employment at their old jobs. This might suggest benefit levels approximating  $\frac{2}{3}$  of take-home pay, but would probably have to be accompanied by a better test of attachment to the labor force, as suggested earlier. The Ford, General Motors and other supplementary unemployment benefit programs indicate that large industry, at least, does not regard an unemployment benefit of 60-65 percent

of take-home pay as a sufficient inducement to malingering for their regular workers.

## VI

*There has been a significant movement in the direction of service benefits in addition to income maintenance.*

The identification of particular groups with particular problems—the aged, the disabled, occupationally displaced workers—leads to the development of special programs to assist them. This trend has been encouraged by the condition of the labor market and the great demand for labor. There has been a rapidly increasing emphasis upon the restoration of benefit recipients to self-supporting capacity. This trend has been particularly pronounced in the public assistance programs but it is also evident in social insurance.

In workmen's compensation, medical care and rehabilitation benefits have been increasing at a more rapid rate than cash payments and now exceed  $\frac{1}{3}$  of total benefit costs. The International Association of Industrial Accident Boards and Commissions, the professional association of compensation administrators, has since 1952 repeatedly enunciated its belief that physical and occupational rehabilitation is now the primary aim of workmen's compensation, upon the success of which all else rests. To be sure, the accomplishments thus far are something less than overwhelming. Nevertheless, the accepted new philosophy is an important trend indicator, and however meagre the achievements when measured against the needs, they are greater than a decade ago when workmen's compensation was almost wholly a program of cash compensation.

The new federal disability insurance program stresses rehabilitation and makes it a condition for receipt of cash benefits. The varied activities of the state employment services have been receiving increasing emphasis in the employment security programs. There has recently been increasing interest in the possibility of coordinating job training with extended unemployment insurance. It is highly likely that within the next few years some OASDI funds will be employed for needed services to the aged, probably first for some form of medical care insurance for retirement beneficiaries and later some additional facilities to meet their special problems.

In general this appears to be a constructive trend. The departure from a strict "money-payment principle" cannot be judged by pre-social insurance standards. In a context where the basic cash income-maintenance function is completely accepted as a *sine qua non*, the

addition of supplementary service benefits becomes an added source of strength to the income-maintenance function rather than a substitution or a way of undermining it.

## VII

*Costs of social insurance have been surprisingly less than was originally anticipated. Issues relate primarily to methods of distributing costs.*

Total social insurance expenditures moved from \$1.2 billion in 1939-40, when they represented 1.3% of gross national product, to \$9.9 billion in 1954-55 when they represented 2.7%. It is interesting to note, however, that in the same period expenditures for public aid fell from 3.8% to 0.8% of g.n.p. The two sets of programs together represented 5.1% of g.n.p. in 1939-40 and 3.5% in 1954-55. In *America's Needs and Resources*, the Twentieth Century Fund attempts to project social insurance expenditures to the year 1960 and estimates that they will equal 2.4% of g.n.p. which would represent a decline compared with 1955. While the changes which have taken place since the Fund sent its book to press indicate that these projections should not be taken too literally, they do suggest that anticipated expansions and liberalizations of social insurance will not increase costs as rapidly as our national resources.

The tax rate for OASDI has never moved up as rapidly as originally contemplated despite the fact that benefits have increased steadily. As the base for contributions has moved from the original \$3000 to \$4200 the legal rate of 2% applicable to employers and employees in 1955 was not far from the actual percentage of total wages paid by each, 1.88. Despite the maturing program now envisaged, which will increase the contribution rate steadily until 1975 and which includes an array of benefits far beyond the original conception, the "level premium rate" needed to meet all commitments, including the new disability benefits starting in 1957, is estimated at 7.85% divided equally between employer and employee. Even if the present age limit of 50 years should be entirely removed from the disability insurance program the estimate is that level premium costs would then be raised only 0.21%.

When unemployment insurance was inaugurated it was envisaged that in addition to 0.3% for administrative purposes, costs would average 2.7% of payroll. During all the past decade the costs have actually run to considerably less than half this figure. The federal tax remains applicable to the same limit of \$3000 per annum per

worker as established in 1939; only 5 states have raised the limit. In 1939 taxable wages were almost 98% of total wages in covered employment. By 1955 wages subject to tax constituted only 68% of total wages. Tax rates were thus being applied to a far lower proportionate base. In addition high levels of employment combined with experience rating have operated to reduce the average state tax rate itself, which has not been as high as 2% in any year since 1943. In 1955 it was 1.18% for the nation as a whole, and the effective average percentage of *total* wages was only 0.8%. The effective federal tax was only 0.2% of payroll.

Workmen's compensation costs have also been declining in recent years. Despite heavy expense loading, the national average is estimated at approximately 0.9% of payroll. In temporary disability insurance programs, employees generally carry the lion's share of costs and these are averaging less than one per cent of taxable payroll and probably not more than 0.6% of actual payroll.

Piecing these items together, we find that, on average, employers are now contributing less than 3.8% of payroll for all legally required social insurance programs. This jibes with the U. S. Chamber of Commerce's latest study of fringe benefits, based on 1,000 companies in major industries outside of transportation. The Chamber reports that 3.6% of payroll was being paid by these employers in 1955 for all public programs. Perspective on this figure may be gained by noting that the same employers were expending 6.3% for voluntary plans.

For their part, employees were contributing about 1.9% and, in states with a TDI program, approximately 2.5%. Thus total costs of all social insurances in 1955 approximated 6% of payroll. If we project to 1960 and assume that permanent disability insurance will then be available without age restriction, and that temporary disability insurance will have become as widespread as unemployment insurance, the total costs would then be about 8% of payroll. Assuming present arrangements for division of these costs, employers would be paying approximately 4.7% and employees about 3.3%. You will recall the days when actuaries and economists were projecting programs of much lesser dimension to anticipated costs of 12% to 15% for 1955-60.

#### CONTRIBUTORY FINANCING

Despite periodic objections by public finance specialists that payroll taxes are regressive (as are sales taxes, which might turn out to

be the most likely alternative), there will be no significant demand in the foreseeable future for resort to general taxation or a government contribution. The general taxpayer (federal, state and local) is carrying approximately 37% of all income security expenditures and 69% of all social welfare costs. It is appropriate, from the viewpoint of the integrity of the social insurance system, that this contribution continue to be made through channels of public assistance and other welfare programs, and that social insurance be financed by payroll taxes.

Exclusively contributory financing has become a distinctive characteristic of American social insurance, and our legislatures appear committed to this principle. While the contributory principle was, from the beginning, an integral part of the structure, a great deal of debate took place for some time on the advisability of some governmental contribution from general revenues. The most usual proposal was for tripartite financing similar to the British, although some economists even called for complete financing from general taxation. Many believed that a substantial government payment was eventually inevitable. Until a few years ago, OASDI actuarial projections assumed this necessity.

This has largely disappeared. All our social insurances are financed exclusively from employer and employee contributions. The event is mainly attributable to continuous prosperity which has made the original plan of financing more than adequate to meet present and anticipated obligations. But, emerging out of this economic good fortune, has come a conviction that it is not only expedient but desirable that social insurance be financed exclusively through employer and employee contributions. While our education was fortuitous, we have learned that a high benefit structure, which most Americans consider essential, is tied up with the method of financing. It would be far more difficult to justify liberal benefits, differential benefits related to previous earnings, and benefits confined to those with previous earnings records of a particular character, if any substantial portion of the funds were derived from general taxation. It has, for example, struck the adherents of social insurance rather pointedly that they would have had far more difficulty withstanding the post-war attempts to amend OASDI with means test and "universal flat pension" proposals if the program had contained any large element of apparent government largesse. The strength of our devotion to exclusive contributory financing will, of course, be



increasingly tested as OASDI tax rates rise and programs are expanded.

The time has probably arrived for altering the traditional basis of financing unemployment insurance and workmen's compensation from exclusive employer contributions to combined employer-employee financing. Labor spokesmen have recently indicated their receptivity to such a change.

It would be in the interests of administrative balance and equitable policy formation that the justice of individual claims, as well as general policy, not be evaluated in an atmosphere where one of the contending parties appears to be carrying all the costs. In arguments over experience rating employers have often said that the consciousness of direct cost gives each employer a sense of responsibility regarding administrative cooperation and assistance in policing the program. In these terms, at least as strong a case can be made for worker contributions. Certainly it is important to imbue workers, as well as employers, with a sense of the cost of their demands on the system and with a sense of responsibility for its efficiency and equity. Moreover, it will be difficult to justify and win the high level benefits, which we believe our economy requires just as much as the individual beneficiaries, unless the insurance principles are made more conspicuous and direct by workers paying a share of costs.

Thus far, there has been employer opposition to employee contributions to unemployment insurance, presumably based on a fear that workers' contributions are a threat to the survival of experience rating whose monetary advantages they apparently find to be greater than a sharing of costs with labor. Labor contributions and experience rating are not incompatible. Many formulas have been proposed which could combine both principles.

Experience rating will, as always, continue to be argued about. Whatever the merits of the case, there are no immediate prospects for its abandonment although its opponents have been encouraged recently by its termination in Alaska. Alaska is, however, in many ways, unique. We cannot here review all the pros and cons of the highly charged debate over experience rating. Employers have indeed been policing the system with rigor and no doubt this has had some positive results in preventing potential abuses. It has surely helped to keep costs down. However, it has also been an important influence in generating the unhappy wave of punitive disqualifications, in revising the alleged purpose of the program, and the failure of un-

employment insurance benefits to maintain the benefit-earnings ratio originally envisaged.

When one considers recent threats to the solvency of reserve funds in some states, it seems clear that, whatever its merits, experience rating, when added to the powerful force of interstate competition, contains in its completely unbridled form potential elements of self-destruction. The recommendations made in 1949 by the Advisory Council on Social Security to the Senate Committee on Finance still appear sound for incorporating in a viable formula the elements of combined worker and employer contributions, and a basic uniform contribution which, on average, would not cover total costs, with the remainder to be met through experience rating.

### VIII

*We see emerging a distinctive American philosophy of social insurance as an instrument of general economic welfare in addition to its traditional role of securing individual welfare. The two functions are complementary.*

No one philosophy or coherent set of objectives runs through our social insurance legislation and practice. Many contradictory influences have participated and clashed; the present programs are compromises. Two broad divergent tendencies are evident: The bulk of our legislation was designed and established in the midst of a great depression and mass unemployment, at a time when most economists believed that our economy had fully "matured." But the flowering of American social insurance during an unprecedentedly long era of accelerated prosperity and high employment levels has altered the original emphasis and perspectives.

Today social insurance is deeply built into the general business economy as well as into the family economy. It is an essential and recognized aspect of industrial relations. Industries with private welfare and pension plans build upon and integrate with social insurance. Personal savings and investments are widely tied in with social insurance expectations. Without OASDI many private retirement and life insurance plans would collapse. While representing only about 4% of personal income in the United States the continuous flow of social insurance payments, including those to retired workers and survivors, has become as significant economically as its potential counter-cyclical influence. Income insurance plays a crucial and acknowledged role in maintaining buyer and seller confidence in

continuous capacity to pay which is a foundation of our instalment-purchasing consumption patterns.

In short, the institution of social insurance is now being recognized as an instrument of business welfare as well as of individual welfare. It is, in fact, a form of positive investment in a high prosperity economy not unlike other forms of creative financial investment. It has been said that if this system did not exist, the American business community would immediately have to invent it. Arthur Larson recently warned that it was vital that the "American public in general, and the business community in particular" be apprised "that a complete income insurance system is an indispensable adjunct both to a modern private-enterprise economy and to a modern individualistic free society." We believe this view is in fact beginning to break through the business community.

Such a view of the role of social insurance, in addition to its basic function of income maintenance, requires and is supported by a system which is employment oriented, even though it means sacrifice of the goal of universality of coverage. It requires and is supported by a principle of earnings-related benefits, qualified by considerations of presumptive need as reflected in family composition. It stresses the principle of contributory financing, and it makes both necessary and possible a principle of high level benefits associated with the high productivity, high wages, high consumption levels and the strongly motivated labor force required by our type of economy.

\* \* \* \*

As a final word, it seems appropriate to remind this audience of a dangerous trend: the disquieting diminution of study, teaching, and research in social insurance. With the end of the depression, and the general acceptance of social insurance, there has been a steady decline in university offerings in social security, except in schools of social work, almost to the point of disappearance. This threatens our chance of maintaining an informed public opinion. It reduces the availability of sorely needed technicians, actuaries, administrators, and researchers who might develop a specialized interest in social insurance. And it has resulted in a failure of the academic community to contribute significantly to the research so desperately needed. Government agencies have long been pleading for assistance in the accumulation of knowledge for increasingly difficult problems.

The job ahead for social insurance will become more complex and

demand even more information and skills than in the past. Our chances for success will be diminished because of the declining role of the universities. The academic world has a proud tradition of having produced some of the intellectual prime movers as well as top administrators in social security, in which company we would list especially high our missing colleague, Wilbur Cohen, prevented by illness from delivering a paper at this meeting, whose brilliant and dedicated labors have for 22 years played a leading and beneficent role throughout the developments here reviewed. We know he would join in this appeal for your contribution, and that of your students, to the arsenal of knowledge needed to carry through intelligently the next great battles of social insurance.

## DISCUSSION

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The Somers' paper states that "the most striking development in income security has been the rapid growth of private employee benefit plans" and that "the size and influence of the private plans is such that they can and do greatly influence the pace and character of the public programs."

Some of the implications of these statements need to be explored. Insufficient attention has been given by students of Social Security to the relationship of social insurance to private insurance. Sometimes the basic distinction between the two is hard to discern because private plans are also the result of social pressures and may differ little from legislated plans in the force of the sanctions behind them. It is obvious that private and social insurance interact, each having its impact on the present structure and future development of the other. There are basic issues in the relationship between the two as well as in social insurance itself.

To be more explicit, we need to give further consideration to the implications flowing from the use of private plans to break through the benefit ceilings now in laws providing unemployment insurance, workmen's compensation and old age retirement benefits, and to establish more rational relationships between non-occupational and occupational insurance benefits. Does this relatively recent emphasis on supplementation signify, especially with regard to unemployment insurance and workmen's compensation, a frustration arising from the long delays involved in gaining improvements through the legislative process and a conviction that alternative courses must be adopted? What will be the effect of the benefit levels established by these private plans on the levels provided by law? Surely what is reflected in private plans is of some evidentiary value as to what is considered both "adequate" and without sin as far as encouraging malingering is concerned. Does private insurance, in addition to having the function of exploring, testing and consolidating insurance protection for individuals and families beyond the areas of social insurance, also have the permanent function of assuring, for all or certain segments of the population, adequacy of protection by supplementing the social insurance plans? Do the private plans have the permanent function of restoring the relationship between benefits and previous wages that, according to the testimony we have had

this morning, has been increasingly lost by the social insurance plans?

More consideration also needs to be given to the impact of patterns now being set by private insurance plans on the social insurance plans which may be adopted in the future. With regard to medical care insurance, the Somers seem to feel that since the proposals of the 1940's for a national plan based on indemnity plans were not enacted, we now have a free choice. Will it ever be feasible, really, to ignore the rather extensive pattern of medical care protection that is being established on a voluntary basis? The Health Insurance Foundation study<sup>1</sup> found that in 1953, 78% of employees were covered by some form of health insurance. This figure is comparable to the 80% covered by unemployment insurance and workmen's compensation. Proposals by the federal government and some states, like New York, are not to replace the present pattern but to require its supplementation or strengthening. As the Somers point out, many aspects of existing patterns have become part of industrial relations—which includes collective bargaining.

We should look for a moment, too, at the impact of social insurance concepts on private insurance. The concept of almost universal eligibility for coverage has been causing a great deal of heart-searching in the private health insurance field with regard to the eligibility and amount of benefits payable to older people, to the rural population, and to low income groups. That the concept of the payment of benefits as a matter of right is having an impact on automobile liability insurance is daily becoming more apparent. The liability concept is constantly losing ground to payment of benefits without regard to liability, whether for death, for wage loss or for medical expense.

Put in the form of basic policy issues which need definition and study, the following are a few of the questions which may be asked:

1. What should be the proper relationship of unemployment insurance to supplemental unemployment benefits? There are some knotty problems here beyond those which are purely technical, including the tendency feared by the Somers to reduce worker mobility and to encourage the tendency already nourished by experience rating to substitute an employer's obligation to his employees for a state's obligation to its citizens.

2. Similarly, what is the proper relationship of workmen's com-

<sup>1</sup> *Family Medical Cost—Voluntary Health Insurance: A Nationwide Survey*, McGraw-Hill, 1956.

pensation to supplemental workmen's compensation; of private pension plans to old age and survivor's insurance; of medical care provisions to permanent disability and to temporary disability insurance?

3. What criteria can be established, *a priori*, or extracted from historical experience, to determine at what point voluntary insurance becomes so inadequate or ineffective in dealing with the social problem it is intended to meet, that social insurance becomes necessary?

4. How can experience in both voluntary and social insurance be evaluated so as to permit policymakers in government, insurance, labor, industry and medicine to reach agreement on minimum and tangible standards of acceptable achievement in economic security for the American people?

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Of the trends and issues discussed in the paper presented, two call for some further comment: the relative roles of private and social insurance in providing income security, and the appropriate degree of federal and state responsibility for social insurance legislation. In addition, two short notes on other points raised seem in order.

With regard to the relative roles of private and social insurance, the record seems to indicate that there is somewhat less than full acceptance of social insurance as the basic method for dealing with income security problems. It is true that the programs established during the critical times of the thirties, have been expanded and have resisted easily attempts to modify them in a manner which would have undermined their basic nature. However, progress in expanding social insurance to new risks such as loss of income because of disability has been slow and precarious.

It has taken over twenty years to establish the beginnings of a social insurance plan for permanent and total disability, despite the favorable recommendations of Advisory Councils in 1938 and 1948.<sup>1</sup>

<sup>1</sup> The 1938 Council was in unanimous agreement on the desirability of providing benefits to (OASI) insured persons who became permanently and totally disabled. However, there was disagreement within the Council over whether such benefits should be inaugurated immediately. See *Final Report of the Advisory Council on Social Security*, December 10, 1938, pp. 32-35. In the 1948 Council, only two of the eighteen members were against the proposal for establishing a permanent and total disability program. See Senate Document No. 208, 80th Congress, 2d Session, *Recommendations for Social Security Legislation*, 1949, Part II, pp. 69-92.

Even the legislation of this type finally achieved in 1956 might have failed enactment in the Senate but for the personal prestige and influence of Senator George, Chairman of the Senate Finance Committee. One of the legislators responsible for the first Social Security Act, he apparently wished to have as one of his final accomplishments before retirement the passage of a permanent and total disability insurance law. Because of his position in the Senate he was able to overcome the resistance of the Administration and, what had proved even more powerful in the past, the opposition of the insurance industry, the American Medical Association, and many employers. Incidentally, it was a similar situation involving the retirement of Representative Doughton, Chairman of the House Ways and Means Committee, in 1952 that brought about the original enactment of the disability freeze in Old Age and Survivors Insurance, although other parts of the same legislation prevented any implementation of the law. If coverage of new risks depends upon the retirement of elder statesmen with strong personal involvement in social insurance, the future outlook is not bright.

The record on temporary disability insurance needs no elaboration. Only four states provide such protection, and the last legislation of this type was passed in 1949. The same groups which have fought permanent and total disability have been even more successful in the state legislatures.

As a result of the less than full acceptance of social insurance, this country is implicitly deciding to place main reliance upon private rather than public methods of dealing with income loss due to temporary disability. Having failed to obtain legislation covering this type of economic insecurity, the trade unions turned to collective bargaining and private insurance protection. By 1954 over 70 per cent of workers under union contract had some sickness benefits.<sup>2</sup> Thus, there is less union pressure for social insurance of this nature. Few of their members lack coverage, and, furthermore, most of the private programs are non-contributory, while the existing public programs have set the pattern of employers' paying a high proportion of the costs.

At the same time, the fact that approximately 60 per cent of the labor force has some degree of protection against income loss due to temporary disability,<sup>3</sup> permits the opponents of social insurance to

<sup>2</sup> Rowe, Evan Keith, "Health, Insurance, and Pension Plans in Union Contracts," *Monthly Labor Review*, September 1955, p. 95.

<sup>3</sup> Health Insurance Council, *Extent of Voluntary Health Insurance Coverage in the United States*, 1955. p. 32.



claim that private programs are proving capable of meeting the need. This seems to have been an effective argument for some state legislators. In addition, the existence of so many private programs makes it unlikely that there will be much debate on the advantages and disadvantages of "contracting out" in the event that any states do pass temporary disability insurance laws.

The implicit decision to rely primarily on private programs for temporary disability insurance is, in my opinion, an unfortunate one. The role of private insurance in this area should be one of a supplement to a basic social insurance system. For private insurance alone is unlikely to provide adequate protection for income earners. In the first place, coverage under private insurance will be incomplete. Workers in small firms, the self-employed, rural workers, and low-income groups are all difficult to bring into private programs. With substantially less than universal coverage, even the individual currently protected by private insurance does not have true security. For he may find himself tomorrow working for a firm which has no program.

There are other reasons why private insurance cannot provide an adequate basic program. Provision for unemployed workers is difficult under such programs. Furthermore, acquisition and administrative costs of private insurance would be much higher than for a social insurance system utilizing the administrative facilities of the unemployment compensation program.

That the current private insurance in force is failing to provide adequate protection can be seen from a recent study by the Social Security Administration.<sup>4</sup> Excluding wages lost by workers covered by sick leave plans, private insurance benefits met only approximately 13 per cent of income loss due to temporary disability in 1954. Even if the first three days of absence are eliminated, only 18 per cent of the remaining loss was covered.

With regard to the relative role of federal and state governments in social insurance programs, the record of the state governments in recent years seems to me to have strengthened the case for more federal action. In those programs for which the states have major responsibility, the amount of progress has been discouraging. In addition to the temporary disability problem, developments in unemployment compensation and workmen's compensation have been far from satisfactory as the Somers' paper indicates.

<sup>4</sup> "The Growth in Protection Against Income Loss from Short Term Sickness, 1948-54," *Social Security Bulletin*, January 1956, pp. 3-8.

The record of the states is even more disturbing in view of the favorable conditions for improving these programs which have existed over the past ten years. Economically, prosperity has meant that increased unemployment benefits would not be costly and that workers could easily have met the payroll tax for a temporary disability program. Politically, for the past four years, the national administration has repeatedly spoken in favor of state action rather than federal action. Furthermore, administration spokesmen of cabinet rank have exhorted, even threatened, the states to improve present programs and initiate temporary disability laws. Their efforts have availed little, however.

To the extent that decentralized government has important political advantages in a democracy, the need for federal legislation as a result of state inaction is particularly unfortunate in the case of temporary disability insurance. Federal action is much less essential from an economic standpoint for temporary disability than for either unemployment compensation or workmen's compensation. The employer's tax for temporary disability program is little or nothing, consequently the problem of competition among the states does not exist and a federal tax offset is not required. Nor are there important economic advantages to a single reserve for the nation in the case of a temporary disability program as there are for unemployment compensation.

In fact, except for the need for coordination of state programs, as pointed out in the paper under discussion, the only strong reason for federal action in temporary disability insurance is the failure of the states to meet their obligations. Fortunately, if the states continue to ignore their responsibilities, this is an area in which federal legislation is feasible. The program is sufficiently similar throughout the nation so that a single set of regulations could be applied in all states.

I should like to comment briefly on two other points. With regard to a government contribution for financing social insurance, the issue may be revived when the full costs of OASDI are encountered in the next fifteen or twenty years, particularly if, by that time, temporary disability and medical care insurance have been introduced. Also, to a certain extent, there already is a significant contribution to the OASDI program from general tax revenues in the form of the interest earned by the trust fund. Currently this is just under ten per cent of payroll taxes collected.

It is also worth pointing out in connection with OASDI that the relatively low percentage of persons over age 65 eligible for benefits

currently and in the near future results from past inadequacies of coverage. As the system matures, with nine out of ten jobs covered, it is not impossible for more than ninety per cent of the former *labor force* over 65 to be eligible. The percentage of *all persons* over 65 who are eligible will be somewhat less depending upon the numerical importance among people over 65 of spinsters and bachelors who have had no sustained participation in the labor force.<sup>5</sup> To some extent, the lack of universal coverage will lower the level of benefits, although the five-year drop out provisions will help to mitigate that effect.

<sup>5</sup> After these comments were delivered at Cleveland, Ida C. Merriam, Director, Division of Program Research, Social Security Administration, was kind enough to provide the following estimates made by Robert J. Myers, Chief Actuary: by 1980, 86 per cent of the total population over age 65 will be eligible; by 2000, 94 per cent will be eligible.



**Part VI**

**THE CONSEQUENCES OF  
MINIMUM WAGES**

# ECONOMIC EFFECTS OF A NATIONWIDE MINIMUM WAGE

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## INTRODUCTION

FOR EIGHTEEN YEARS we have had a nationwide statutory minimum wage applicable to a substantial portion of the economy. During this period, there was opportunity to observe the impact of the minimum rate originally established in 1938, two general increases in this minimum, and also a number of industry-by-industry increases. Despite this extensive history, current discussions of minimum wage too often ignore the empirical evidence of the actual effects of minimum wage legislation already available.

It may be conceded at the outside that the empirical evidence presently available is too fragmentary from which to draw firm conclusions. However, a three-year study initiated during the past year by the U. S. Department of Labor should develop information from which students of wages and wage theory should be able to evaluate the economic effects of a national minimum wage. In the meantime, a summary of the evidence now available may suggest some tentative conclusions which can be tested with the more extensive material which will become available during the next three years.

### *Department of Labor Study of Economic Effects of \$1.00 Minimum*

The Department of Labor project to study the economic effects of the \$1.00 minimum will explore six different facets of this question.<sup>2</sup> While the Wage and Hour Division will have over-all responsibility for the study, various phases of this program will be a joint venture of the Wage and Hour Division and the Bureau of Labor Statistics. This is the most comprehensive program of its kind ever undertaken. A similar study was initiated in 1950 when the 75-cent minimum went into effect, but a large part of the project had to be abandoned because the sharp inflation which accompanied the Korean War

<sup>1</sup> The opinions expressed in this paper are solely those of the author and do not necessarily reflect the views of the U. S. Department of Labor.

<sup>2</sup> For a more detailed summary of this project, see "Studies of Economic Effects of Minimum Wages," in the *American Statistician*, American Statistical Association, Washington, D. C., October, 1956.

completely overshadowed effects traceable to the new minimum.<sup>3</sup> Although the present program will take three years to complete, it is anticipated that a significant portion will be made public during the next year.

1. *Study of economic indicators.* The first aspect of the study is designed to determine and, if possible, to measure the over-all effects on the economy of the \$1.00 minimum.

2. *Industry studies.* The second phase of the over-all study will be concerned with the effects of the \$1.00 minimum on 12 low-wage industries. These industry studies will be confined, for the most part, to geographic areas where the minimum wage is expected to have a substantial impact. The 12 industries are: canning, cigars, dress shirts, work shirts, fertilizer, footwear, processed waste, raw sugar, sawmills, seamless hosiery, tobacco stemming, and wood containers.

3. *Wage distribution study of five manufacturing groups.* This study to be conducted by the BLS, will show the distribution of production workers by straight-time average hourly earnings as of April 1956 for five major manufacturing groups: food, textiles, apparel, furniture, and leather and leather products. A comparison of the distribution in these industries with similar data available for the spring of 1954 should indicate, in general terms, the shifts in the wage structure since the establishment of the \$1.00 minimum.

4. *Locality studies.* The Department will also make a study of ten relatively small communities which have industries substantially affected by the \$1.00 minimum. These surveys will aim to appraise both the short- and long-run effects of the minimum on the community wage structure. The emphasis of this study will be on the outward effects on wages of workers in industries not covered by the FLSA.

5. *Study of adjustments made by heavily affected plants.* In addition to the industry and community surveys, plans call for intensive studies of about 300 plants which were substantially affected by the \$1.00 minimum. Since adverse effects of a higher minimum fall directly on individual plants, this part of the program should give us information on how individual businesses were affected. It should also yield detailed information on the methods used by these plants to adjust to the new minimum wage.

6. *Follow-up of complaints of adverse effects.* Still another phase

<sup>3</sup> Results of the Minimum-Wage Increase of 1950; U. S. Department of Labor, August, 1954, U. S. Government Printing Office. The industry wage surveys for this study were conducted by the Bureau of Labor Statistics.

of the general study is to follow up all significant reports indicating unemployment, business failure, or other serious adverse effects of the \$1.00 minimum.

### *Impact of Minimum Wage Increases*

In order to appraise the material available on past minimum wage changes, it is necessary to appreciate the magnitude of these changes and the extent of their impact on the industries covered by the Fair Labor Standards Act.

*The 25-cent and 30-cent statutory rates.* The Fair Labor Standards Act provided for the imposition of a 25-cent nationwide minimum wage on October 24, 1938, for all employees then subject to its terms, for a 30-cent minimum wage rate one year thereafter, and for an objective of 40 cents an hour to be reached automatically six years later. It also provided for a more rapid progression to the 40-cent objective through the operation of tri-partite industry committees.

Shortly after the effective date of the law, it was estimated that its terms would apply to some 11,000,000 workers, of whom 300,000 were being paid less than 25 cents an hour.<sup>4</sup> These estimates were based on a hasty postcard survey by the Bureau of Labor Statistics. Subsequent experience has indicated that both these figures were much too low, the error resulting partly from the limited nature of the survey and partly from the lack of knowledge among the respondents as to the scope of the law.

Despite the lack of any special studies of the effect of the 25- and 30-cent minimum, it is now clear that the economy adjusted to the novel idea of a nationwide minimum wage without any serious adverse effects. The predictions that the minimum would result in a marked increase in unemployment were not borne out by events. To be sure, adverse effects were reported here and there, but none proved of major significance.<sup>5</sup>

*Industry Committee recommendations.* By the time the thirty-cent statutory rate went into effect on October 24, 1939, the industry

<sup>4</sup> Interim Report of the Administrator of the Wage and Hour Division for the period August 15 to December 31, 1938, U. S. Department of Labor, January 1939.

<sup>5</sup> The most spectacular situation involved some 12,000 Mexican workers engaged in shelling of pecans in and around San Antonio, Texas. The imposition of the minimum resulted in the mechanization of the industry with a consequent decline in employment of 3000. This represented a shift from intermittent family employment to those of adult individuals. "The Pecan Shellers of San Antonio," by Shelden C. Menefee and Orin C. Cassimore, U. S. Works Projects Administration, S.P.O., Washington, D. C., 1940.



committee program looking towards the 40-cent goal, was under way. Thus the impact of the five-cent statutory increase became merged with the increases voted industry by industry through tri-partite committees. These committees substantially completed their task by 1943. Of course, the inflationary developments accompanying World War II made the task of raising minimum wages easier. However, it should not be assumed that the committee decisions were academic in character as a result of wartime inflation.<sup>6</sup>

During this period of industry committee activity three studies were made by Harry Douty on the effects of committee recommendations. These studies involved the Textile Industry, Seamless Hosiery, and the Single Pants and Allied Garments Industry. These studies have particular significance because of the substantial impact of the minimum wage increases involved.<sup>7</sup>

*The statutory increase from 40 to 75 cents an hour.* In 1949 the Congress increased the national minimum wage from 40 to 75 cents an hour. By the time of this enactment, 40 cents was not the actual minimum wage in most instances and it was estimated that the average increase in the minimum was about 10 cents an hour. It was also estimated that there were about 1,300,000 workers being paid less than 75 cents an hour at the time of the effective date of the new minimum, January 25, 1950.

When the 75-cent minimum went into effect the Department of Labor made plans to study the effects of the new minimum. Major concentration in this study was directed to five low-wage industries on which the new minimum would have a substantial impact. It was felt that adverse consequences would show up in these industries if anywhere. These industries were southern sawmilling, fertilizer, men's dress shirts and nightwear, men's seamless hosiery, and wood furniture.

*The dollar minimum.* The impact of the dollar minimum wage, adopted by Congress in August of 1955 and effective on March 1, 1956, was significantly greater than was the impact of the 75-cent minimum wage in 1950. This is indicated by the fact that whereas there were 1,300,000 covered workers being paid less than 75 cents an

<sup>6</sup> Minimum Wage Fixing under the United States Fair Labor Standards Act, The Working of Industry Committees by Harry Weiss, *International Labor Review*, Vol. LI, No. 1, January 1945.

<sup>7</sup> The results of these studies are summarized in the Annual Report of the Wage and Hour Division for the fiscal year ending June 30, 1941, pp. 15-42. See also Minimum Wage Regulation in the Seamless Hosiery Industry by Harry Douty; *The Southern Economic Journal*, October, 1941.

hour in 1950, the corresponding figure for the \$1.00 minimum was approximately 2,100,000 workers. Moreover, the average increase required for the adjustment to \$1.00 was 15 cents an hour as against 10 cents an hour for the 75-cent minimum. These figures, and others which could be cited, suggest that the \$1.00 minimum might have led to different economic consequences than the 75-cent minimum.<sup>8</sup>

*Analysis of Presently Available Information on Economic Effects*

The fact that the three-year study project is under way does not mean there is complete lack of empirical evidence on the economic effects of a nationwide minimum wage. In addition to the study made in 1950 on the effects of the 75-cent minimum wage, and the studies made by Harry Douty, there is fragmentary information from earlier periods. This information should enable us to focus attention on a variety of problems in connection with minimum wage effects and perhaps to suggest some tentative conclusions which may serve as hypotheses to be further tested when the results of the major undertaking on the \$1.00 minimum will become available. With this caution in mind, I should like to point up some observations and conclusions on the minimum wage effects based on such empirical evidence as is now available.

*Effects on the Wage Structure*

*On internal wage structure.* The immediate effect of an increase in minimum wage is clearly to compress the internal wage structure of the establishments substantially affected. This conclusion is contrary to the often expressed view that a minimum wage increase must necessarily and immediately increase the entire wage structures by the cents per hour or the percentages that the lowest wage classification is increased.

This theory stems from a belief that existing wage differentials must be maintained and therefore the whole structure must be increased promptly upon the imposition of the new minimum. In the short run at least, this conclusion is not valid and there is ample evidence available to disprove it. There are, of course, some immediate indirect effects of a new minimum on the wages paid employees who are getting more than the minimum. There is also evidence, though

<sup>8</sup> For a discussion of this issue, see Hearings before the Senate Committee on Labor and Public Welfare, and House Committee on Education and Labor, U. S. Government Printing Office, 1955. Testimony of Stuart Rothman, Solicitor of Labor in the Senate and the testimony of Arthur Larson, Under Secretary of Labor, in the House. See also staff report to the Subcommittee on Labor of the Senate Committee on Labor and Public Welfare, U. S. Government Printing Office, 1955.

by no means adequate, that over a period of years there is a tendency to restore differentials which existed before the minimum wage increase.

One significant fact which emerges in the data presently available is the wide variation from industry to industry in the indirect impact of minimum wage changes. This can be shown by comparison of the estimated increase in wage bill required to bring everyone below the minimum to the minimum, with the actual increase that occurred in the wage bill. The 1950 studies of the Department showed, for example, that it required a 14 percent increase in the wage bill in southern sawmilling to bring the workers up to the 75-cent minimum. The actual increase in the wage bill was 16 percent, the difference representing wage adjustments that were not legally mandatory. In the Men's Dress Shirt and Nightwear Industry the cost of indirect adjustment was about 60 percent of the cost of the direct adjustment. Both of these studies were made shortly after the imposition of the new minimum and therefore represented the immediate impact of the new minimum.

Douty's studies of industry committee wage orders reflected a two-year period and therefore measured the problem from a longer range. He found the indirect impact in seamless hosiery to be 74 percent of the direct impact. In the Dress Shirt, Sportshirt and Nightwear Industry indirect impact was about 126 percent of the direct; in work clothing it was 64.4 percent; in single pants it was only 17 percent.

We do not know enough about the factors which resulted in indirect wage adjustments to predict in advance the degree of indirect effect one might expect in a given situation. We only know that the variation from industry to industry and from area to area is quite substantial and that there are numerous factors involved.

It is my impression from the 1950 studies that in piece-rate industries the immediate indirect effects of a new minimum are likely to be greater than in hourly-paid industries, particularly where the average hourly earnings are only moderately above the minimum. In such instances, it appears essential to adjust the piece rate structure to maintain incentives. In hourly-paying industries, the process of adjustment may be on a more selective basis and postponed for longer periods of time.

*Regional and other differentials.* The immediate impact of an increase in minimum wage is to narrow differentials between low-wage plants and high-wage plants in the same geographic area in the

same industry; between low-wage regions and high-wage regions in the same industry; and between low-wage industries substantially affected by the new minimum and high-wage industries not significantly affected.

The inflationary developments during World War II and Korea led to a partial restoration of differentials of the types I have just mentioned though this was not true in all instances for which data are available. An interesting question is whether this restoration would have occurred in the absence of upward wage movements resulting from the influence of war and other inflationary developments.

*Effects on non-covered employment.* The data available on the indirect effects of minimum wage legislation on non-covered employment are extremely fragmentary. We only know that in situations in which non-covered employment is closely associated with covered employment, there is likely to be a substantial indirect effect under conditions of a tight labor market.

#### *Impact on Establishments Substantially Affected*

In the light of the substantial impact of minimum wage changes on a number of low-wage industries, one would be led to expect a substantial decline in employment in those industries which felt the minimum wage increase most seriously.<sup>9</sup> Perhaps the most striking fact which has emerged from the studies made up to this time is that minimum wage increases have not resulted in a significant decline in employment even in those industries which were most substantially affected. It is necessary to add, by way of qualification, that these minimum wage increases came at a time when industry was either stable or expanding. Whether such favorable results would occur in a period of declining activity remains to be seen.

In three of the five industries studied by the Divisions in 1950, there were no significant declines in employment at the time of the imposition of the 75 cents and for a few months thereafter. In southern sawmills, employment did fall off two percent during the first few months after the imposition of the 75-cent minimum wage. However, it is significant that there was very little correlation on a regional basis between the size of wage increase and the decline in employment. There was also a small decline in employment of a temporary nature in the fertilizer industry and here, too, there was a similar lack of

<sup>9</sup> See, for example, "Regional Aspects of the Problem of Full Employment at Fair Wages," J. V. Van Sickle, *Southern Economic Journal*, July 1946; also "The Economics of Minimum Wage Legislation," George J. Stigler, *American Economic Review*, June 1946.

correlation between the amount of decline and the impact of the new minimum.

Douty's studies of three low-wage industries, covering a two-year period between 1939 and 1941, also failed to reveal any significant effect on employment in seamless hosiery, textile, and garments which could be attributed to the minimum wage impact. There was some slight decline in employment in certain seamless hosiery plants due to technological changes but the net effect on employment was relatively insignificant.

*Effects on Plant Mortality.* A minimum wage increase could result in closing down of establishments even though total employment in the industry might not be significantly reduced. It is commonly asserted that this is the immediate result of a substantial minimum wage increase and no one can deny that a marginal plant might have to shut down rather than burden itself with the increased costs resulting from a minimum wage increase.

One approach to this problem has been to follow up every report of adverse effects in order to determine to what extent, if any, the minimum wage increase was responsible. The Wage and Hour Division did this in 1950 and also in 1956. The 1950 survey indicates that in rare instances the minimum wage increase may have been a contributing factor in the decision of plants to close down. It is my impression that the 1956 survey of adverse effects is likely to confirm the results of the 1950 survey.

The 1950 wage survey of southern sawmills disclosed that one or two percent of the plants contacted during the period just before the imposition of the 15-cent minimum went out of business by March of 1950. During the same period new plants became active and there were more mills in existence in March than on the preceding survey dates.

In the Men's Dress Shirt and Nightwear Industry, about two percent of the establishments went out of business at the time of the 75-cent minimum but almost all of these were located in high-wage regions which felt the minimum to only a slight degree. In both instances, normal turnover would explain the decline in an industry characterized by high turnover.

Douty's studies of three low-wage industries also failed to disclose any significant increase in mortality as a result of the minimum wage changes which were put into effect at that time.

*Effects on Hiring and Other Personnel Policies.* Minimum wage increases have occasionally resulted in the modification of hiring and

other personnel policies but not nearly to the degree one might have expected. We know of some specific instances in which older workers have been replaced by younger workers but such instances have been relatively rare.

The 1950 followup of complaints of adverse effects also failed to reveal wide-scale or basic changes in hiring policies. The great majority of employees affected were retained on the payroll though a few instances were found of replacement of older and slower workers.

*Effects on Prices.* The short-run effects of the 75-cent minimum wage on prices were negligible, if we can rely on the data based on the five low-wage industries which were studied at that time. During the early months of 1950, there were general increases in wholesale prices only for the products of the southern sawmills and wood furniture. The increases were small and not clearly attributable to the higher minimum wages. After April 1950, lumber prices rose sharply as a result of the expansion of construction and most prices advanced rapidly after the outbreak of the Korean War. While these price advances can hardly be attributed to the new minimum, they undoubtedly helped the low-wage industries to adjust to the higher costs brought on by the minimum.

The earlier experience is also indicative as to the minor effects of minimum wage increases on prices. It is very doubtful that any major price change was brought on primarily by a minimum wage increase. Minimum wage changes may have been a contributing factor in certain price changes during the period 1939 to 1941.

It is possible that the effects of the \$1.00 minimum on prices may have been significantly greater than those of earlier wage increases. The Daily News Record reported on July 17, 1956, that the effects of the minimum wage increase on the work clothing branch of Southern Garment Industry were passed along to the purchaser without too much resistance, according to a poll of manufacturers attending a convention. Whether this observation was accurate or applicable to other products remains to be seen.

*Effects on Productivity.* It has frequently been asserted that the effect of a minimum wage increase is to require immediate improvement in the productivity of those workers paid below the new minimum or their discharge.<sup>10</sup> The information we have available indicates that neither of these alternatives usually takes place. I have already indicated that very few workers are discharged and the over-

<sup>10</sup> See Stigler for an example of this point of view.

whelming majority are promptly brought up to the new minimum wage by adjustment of rates.

There have been instances, to be sure, of workers being compelled to produce at a greater pace as a condition of being retained on the job. It is my impression, based on the evidence available for minimum wage increases up to but not including the \$1.00, that **these** instances have been relatively rare. Likewise there have been instances in which slow workers have been replaced by workers who might produce at a greater rate. It is also my impression that such replacements have likewise been rare as a result of earlier wage increases.

The evidence presently available indicates that management, when confronted with a substantial cost increase which cannot be passed on in higher prices, makes every effort to absorb this increase through improvement in the efficiency of the enterprise as a whole. It is not usually practicable to increase the efficiency of the particular worker whose wages are directly affected. Nor is it practicable to lay them off since better workers are not usually available. It has been possible to improve the efficiency of the business by recourse to one or more of a wide variety of changes in management practices.

Sometimes these improvements occur through the introduction of new machinery, which may be regarded as the classical method for increased productivity but which, at the same time, may result in decreased employment opportunities. The 1950 study of five low-wage industries showed that there was installation of some labor-saving machinery in each of the five industries but the number of plants making such installation was extremely small. Nor was there any evidence that the rate of introduction of such machinery was significantly accelerated as a result of the new minimum. Dooty's studies showed an acceleration in the use of new equipment in only one of the three industries surveyed: seamless hosiery.

My own impression is that there is usually available to management a wide variety of methods for improvement in efficiency, exclusive of the introduction of new machinery, and that there is no standard pattern of adjustments made in an effort to reduce unit costs. Nor are these changes in efficiency necessarily or particularly related to the productivity of the specific individuals being paid less than the new minimum. Contrary to some opinion that low-wage industries usually operate at a high rate of efficiency,<sup>11</sup> I would ven-

<sup>11</sup> See Stigler article for a statement of this point of view.

ture to assert that there are considerable possibilities for improved efficiency in these industries and that minimum wage increases have impelled management to seek out ways of absorption of cost increase without affecting prices. This has been termed the "shock" theory of minimum wages and does not have much support from wage theorists but management discussions very frequently lend it support.

I should like to suggest the possibility that the minimum wage increases, up to and including 75 cents, largely paid for themselves by improving productivity. In other words, I suggest, as a hypothesis, that management has absorbed the substantial increased costs which have taken place in the past 18 years, under the conditions which existed during this period, without substantial curtailment of employment, and without substantial price increases, by means of improved efficiency in the vast majority of establishments which had to make major adjustments. I do not suggest that the favorable outcome would have occurred if the increases had been of a significantly larger magnitude or if they had come at a time of declining economic activity. Nor do I suggest that this is also true under the \$1.00 minimum since there are indications that the impact of this minimum was substantially greater in a number of industries than any previous increase.

#### EFFECTS ON THE ECONOMY AS A WHOLE

While a minimum wage change does have an impact on the industries substantially affected, the magnitude of change is not sufficiently great to be a significant factor on the entire economy. A preliminary analysis of data on trends in employment, wages, hours, prices, labor and business turnover fails to show any sharply discernible effects on the increase in minimum to \$1.00 an hour even though we know this increase did have a very substantial effect on certain industries.

The increase in minimum wage to \$1.00 directly affected approximately 2,100,000 workers or 8.7 percent of the 24 million workers subject to the minimum wage provisions of the Fair Labor Standards Act. The number affected was an even larger percentage of production workers in manufacturing: 10.2 percent.<sup>12</sup> Yet the total increase in the wage bill required to bring these workers up to the \$1.00 minimum was only \$560 million, which is substantially less than one percent of the wage bill in the covered industries.

<sup>12</sup> These figures are based on 1954 data and may therefore overstate the effects of the \$1.00 minimum.



If one compares the \$560 million to the total wage bill for the country as a whole—about \$200 billion at the time—the relative unimportance of the wage bill increase is even more clearly brought out. Even if one assumed that the indirect effects of the minimum wage was as great dollarwise as the direct effects, the total impact on payrolls represented less than one percent of the wage bill of the economy.

This is not intended to minimize the importance of minimum wage changes, particularly in terms of the increased purchasing power of the low-wage workers directly affected. Nor is it intended to minimize the influence of minimum wage changes on the low-wage segments of the economy which are covered by the FLSA. This latter effect may be shown by comparing the average hourly earnings of a group of industries substantially affected by minimum wage changes with a second group of industries subject to the law but not affected to a significant degree, and with a third group of low-wage industries which are not directly affected because they are not covered by the law. Such a comparison was made by the Divisions for the period from 1938 to 1941, during which minimum wages were increased frequently; during the period from 1942 to 1949, when there were no significant minimum wage changes on a broad scale; and during the period from 1949 to 1950 when the national minimum was increased to 75 cents an hour.

Between 1938 and 1941, average hourly earnings increased by 14 percent in a group of low-wage industries subject to the Act, by 9 percent in the high-wage industries subject to the Act, and by only 4 percent in the low-wage industries—retail and service industries—which were not generally subject to the Act. Between 1942 and 1949, both the low-wage covered industries and the low-wage non-covered industries increased their average hourly earnings by approximately 80 percent; the high-wage industries covered by the Act had an increase in average hourly earnings of only 67 percent.

Taking the entire 14-year period as a whole, the average hourly earnings of low-wage industries subject to the Act increased by 171 percent, the low-wage industries not subject by 125 percent, and the high-wage industries subject to the Act by 121 percent. It seems quite clear from this analysis that the minimum wage increases during this period did not have a definite and substantial effect in increasing the earnings of workers in the low-wage industries subject to the Act in comparison with both the low-wage industries not subject and the high-wage industries which are also subject to the Act.

## CONCLUSION

I would suggest, in conclusion, that the empirical evidence which will be available during the next several years on the effects of a nationwide minimum wage, should bring about a reconsideration of the theoretical assumptions usually expressed on the consequences of statutory minimum wage changes. It should likewise bring about a reappraisal of the marginal productivity theory of wages which virtually overlooks the possibility of the comparatively favorable effects which our experience to date has demonstrated.

# THE SOCIAL AND ECONOMIC IMPLICATIONS OF THE FAIR LABOR STANDARDS ACT: AN INTERPRETATION IN TERMS OF SOCIAL COST

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THE TASK ASSIGNED TO ME consists in an analysis of the consequences of the Fair Labor Standards Act with strong emphasis on the theoretical aspects and implications of minimum wage legislation. In view of the scope of this assignment I have included only the general reasoning and conclusions into this paper and I have relegated most of the substantiating material to footnotes with the result that there are several pages of such notes which, for a critical evaluation of what I have to say, must be considered as an integral part of this paper.

At a time when society is well integrated and the basic values underlying the organization of economic activity are taken for granted, the social scientist has a ready-made theoretical framework at his disposal and his main task lies in the application of the methods and concepts which are systematized in a theory.<sup>1</sup>

A social scientist living in mid twentieth century does not have such a relatively speaking easy and comfortable position. While the macroscopic aspects of the traditional neo-classical theory have already been dissolved by the Keynesian analysis, the microscopic aspects are in the process of being dissolved by a new theory of the decision-making process. Hence no coherent system of thought applicable to man's economic activity exists at present and no such system can be

<sup>1</sup> See Max Weber, Die "Objectivität" sozialwissenschaftlicher und sozial-politischer Erkenntnis, in *Gesammelte Aufsätze zur Wissenschaftslehre*, Tübingen 1922, p. 214.

developed before so-called noneconomic factors are systematically taken into consideration.<sup>2</sup>

Today economic phenomena can, therefore, not be scientifically understood without a knowledge of psychology, sociology, political science and related fields.<sup>3</sup> This is the real dilemma of the social scientist who wants to give a meaningful theoretical, that is a "wholistic" interpretation of social phenomena and who realizes that "the economic man" and the "laissez-faire" society of which he was part and parcel have fulfilled their historical mission and must be replaced by a conception of man and society which expresses a higher form of consciousness and of realization of man's potentialities.<sup>4</sup>

While it would be presumptuous to pretend that this paper is based on an integrated system of thought, its main purpose is to examine the Fair Labor Standards Act in terms of a theoretical concept which has sociological, political and psychological, as well as economic dimensions, namely the concept of social cost.

The concept of social cost is not a new one,<sup>5</sup> but it is only recently that K. William Kapp in his study of "The Social Costs of Private Enterprise" has given to this concept a central place in economic thought.<sup>6</sup>

As used in this paper, the concept of social cost indicates the *inter-relationship between* the basic distribution of *power* in society which determines what social groups assume *responsibility* for the

<sup>2</sup> Professor Kapp mentions the need "to prepare the ground for a broadening of the scope of economic analysis so as to include those omitted aspects of reality which many economists have been inclined to dismiss or neglect as "noneconomic." Such a new science of economics will have to be based upon the recognition that we are able to obtain a valid picture of a situation and a real understanding of reality only if we view them as a whole, i.e., in their totality. Only by overcoming the present departmentalization of our knowledge in the social sciences or, more specifically, by accepting the fact that the "economic" and the "noneconomic" are intrinsically interrelated and must be studied together, will we be able to lay the foundation for a new science of economics which will be "political economy" in an even more comprehensive sense than the term was ever understood by the classical economists and their predecessors. See K. William Kapp, *The Social Cost of Private Enterprise*, Harvard University Press, 1950, pp. 11, 12.

<sup>3</sup> A good general discussion of this problem is contained in Robert S. Lynd, *Knowledge For What?* Princeton, 1946, partic. chapters I and VI.

<sup>4</sup> In sociological literature this problem is well discussed in Karl Mannheim, *Ideology and Utopia*, New York, 1940.

<sup>5</sup> Two classical studies using this concept are A. G. Pigou, *The Economics of Welfare*, 3rd edit. London, 1932 and J. M. Clark, *Studies in the Economics of Overhead Costs*, Chicago, 1923.

<sup>6</sup> See K. William Kapp, *The Social Costs of Private Enterprise*, Harvard University Press, 1950.

realization of certain *values* and the peculiar *mode and system of cost accounting* adopted by alternative kinds of social organization.<sup>7</sup>

Values for the preservation of which the community takes responsibility may be called "*social overhead costs*": these are costs which *must* be covered because the community has "*chosen*" to assume responsibility for them. There is only one choice left in regard to social overhead costs: how this cost is being distributed among the members of the community or, more specifically which groups have to bear this cost. *Social variable costs*, on the other hand, are being defined as costs for which the community, as a community, has not taken responsibility. They are variable costs because they may or may not be covered—depending upon the willingness of certain groups to assume responsibility for them.

These concepts of overhead and variable cost are also applicable to the individual and/or to different kinds of organization. In each case an overhead cost arises out of the assumption of a responsibility which must be discharged if the individual or the organization are to survive as entities embodying specific values. Variable costs on the other hand arise when the assumption of responsibilities for the preservation of certain values is discretionary. For the *individual* the maintenance of a minimum standard of nutrition, clothing, shelter as well as the maintenance of a minimum of psychological-spiritual values—or of

<sup>7</sup> This conception is based on a synthesis of Max Weber's sociology of economic activity and the economic concept of social cost. Max Weber, by defining economic activity as that aspect of man's action which in its "subjective meaning" is oriented toward "the acquisition of *power* over goods and services" introduces at the very outset the concept of power, a concept which is in no way the exclusive domain of the political scientist. Psychologically speaking, power means the ability to express one's potentialities and one's aspirations. Economically speaking, it means control over those goods and services which are necessary to realize one's potentialities. The organizational expression of this drive for the realization of an inner potential brings the concept of power into the realm of politics. Exchange and association are two basic organizational manifestations of the "power struggle" which underlies all human activity. This struggle is not necessarily a struggle of one group against another group but it is a struggle to *realize certain values* by defining certain *responsibilities* (either mutual-democratic or one-sided authoritarian responsibilities) and to delineate spheres of influence (either mutual control or authoritarian control). Responsibility and control are the key concepts which define man's freedom and autonomy. They are the operational dimensions of the ethical matrix of any society. They define the pattern of values which underlies and permeates all social organizations. And in particular they determine the nature of the cost accounting system within which economic activity takes place.

"general wellbeing"—is an overhead cost in every society. But the pattern of overhead and variable costs for the *firm* varies greatly as between different types of social systems—depending upon the particular system of power and values. For the capitalistic enterprise, for example, the maintenance of machinery is an overhead cost whereas the maintenance of labor is a variable cost because the responsibility for this maintenance has historically been shifted to other segments of the community.<sup>8</sup>

The significance of such a theoretical framework for an analysis of the Fair Labor Standards Act can best be shown if we relate this Act to the cost accounting system which prevailed at the time when the Fair Labor Standards Act was enacted.

The essence of this system was (1) the reduction of all costs to monetary costs of private enterprise and (2) the shift of the social overhead costs of maintaining labor from the enterprise to the individual worker. (3) Ultimate control rested with the market and with the firm. Being anonymous and impersonal in nature, the market cannot assume responsibilities. Only the enterprise can do so. Labor being free in the dual sense of freedom from slavery (and hence not being an overhead cost as it is for the owner of a slave) and of absence of control over the means of production, becomes self-responsible without having the power to discharge this responsibility adequately.

The Fair Labor Standards Act, by setting a floor under wages and a ceiling over hours, changed the nature of the cost accounting system by shifting a minimum of responsibility back to the enterprise.<sup>9</sup>

While the relevance of our approach for an understanding of the Fair Labor Standards Act is thus clearly demonstrated, it would be false to assume that the Fair Labor Standards Act was consciously conceived within the framework of such a theoretical system. Anyone who reads the "Findings of Declaration of Policy" of the original act can hardly escape the conclusion that the Act is rather conceived

<sup>8</sup> See J. M. Clark, *op. cit.*

<sup>9</sup> The expression "shifting" is justified in terms of the ethical framework of this paper as well as in terms of the historical reality situation. Annual and weekly wages precede, historically, hourly wages.

within the framework of neo-classical marginal productivity theory.<sup>10</sup>

However, the Act introduced a *principle of responsibility* for a "minimum standard of living" which is incompatible with the principles expressed in the kind of social system which is adequately described in terms of marginalism. The basic theoretical problem posed by the Act is, therefore, the consequences of this incompatibility between the new principle of minimum responsibility and the equilibrium principle of the free market system which it attempts to modify.<sup>11</sup>

More particularly two questions arise: (1) what is the likelihood that the new principle of "minimum responsibility" will supersede the "principle of market equilibrium" as the dominant one;<sup>12</sup> (2) what modifications of the socio-economic system existing at the time of the enactment of minimum wage legislation were, or will be, necessary if the minimum responsibility principle is eventually realized.

In order to understand the significance of these questions two points should be stressed:

(1) If a new principle—expressing a responsibility for a new value—is introduced into a cost accounting system the only alternative is for this new value to spread and to modify progressively the old system or to languish if not to become extinguished.

(2) Since the minimum responsibility principle is a principle of conscious choice, involving social legislation, and the market equi-

<sup>10</sup> Section 2. of the original act states:

(a) Congress hereby finds that the existence, in industries engaged in commerce or in the production of goods for commerce, of labor conditions detrimental to the *maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers* (1) causes commerce and the channels and instrumentalities of commerce to be used to spread and perpetuate such labor conditions among the workers of the several states; (2) burdens commerce and the free flow of goods in commerce; (3) constitutes an unfair method of competition in commerce; (4) leads to labor disputes burdening and obstructing commerce and the free flow of goods in commerce; and (5) interferes with the orderly and fair marketing of goods in commerce.

(b) It is hereby declared to be the policy of this Act, through the exercise by Congress of its power to regulate commerce "among the several States, to correct and as rapidly as practicable to eliminate the conditions above referred to in such industries without substantially curtailing employment or earning power." See Public—No. 718—75th Congress, Chapter 676—3d session, S. 2475; italics mine.

<sup>11</sup> An analysis of this—and related questions within the framework of marginal productivity theory can give valuable partial insights but it can not penetrate to the core of the matter. See my article entitled "Marginalism and Economic Policy," *American Economic Review*, September, 1947.

<sup>12</sup> In this case analysis of the problem in terms of "marginalism" would definitely take second place.

librium principle is a principle of unconscious adjustment we deal here with a question as to the merits and implications of two fundamentally different types of socio-economic systems.

In order to gain some insight into these questions we shall deal with the following problems arising in connection with the Fair Labor Standards Act:

- (1) From the point of view of the individual who is covered by the Act the question arises as to what extent a minimum wage *rate* can assure a minimum standard of living.
- (2) From the point of view of the enterprise the question arises how an increase in the wage rate affects costs and hence the ability of the firm to survive and to expand its operations.
- (3) From the point of view of the community as a whole the question arises what a minimum standard of living means and whether all firms should be included in the coverage of the Act or, if not, whether a differentiation should be made between firms of different size and different industries.
- (4) From the point of view of management as an organized power group the question arises what the new definition of power and responsibility and its expression in the cost accounting system means for the role of management in the economy and society.
- (5) The same question arises for labor as an organized power group.
- (6) A final question arises as to the new role of the government, the strengthening of bureaucratic control and the whole question as to the impact of administrative regulations on individual freedom.

These questions will now be briefly examined on the basis of the experience made with the Fair Labor Standards Act and in the light of the social cost concept as used in this paper.

(1) *Minimum wage rate and minimum standard of living.*

The wage rate is only one of the three major factors determining the standard of living. The other two factors are (2) the pattern of employment as defined by the weekly and seasonal rhythm of work (3) the availability of job opportunities.



The cost accounting system which was modified by the Fair Labor Standards Act left the responsibility for what may be called an equilibrium standard of living to the market. The actual unequal distribution of power between management and labor resulted in equilibria which were substandard in terms of non-market standards of value. We do not have any reliable data showing the relative number of workers earning less than 25 cents an hour in 1938—the minimum stipulated for the first year of the Fair Labor Standards Act.<sup>13</sup> Nor do we have reliable over-all data for 1949, when the hourly minimum was increased to 75 cents an hour.<sup>14</sup> But we do have data which are reliable in terms of indicating an order of magnitude for 1955 when a one dollar minimum was enacted by Congress. In April 1954 2 million wage and salary earners (10.2 per cent of all production workers in manufacturing) earned less than \$1.00 an hour and 22.4 per cent earned less than \$1.25 an hour—the latter being closer to a conception of the minimum in harmony with the social cost concept.<sup>15</sup> In southern manufacturing industries 28.2 per cent earned less than one dollar an hour, and one-half of all production workers in manufacturing in the south earned less than \$1.25 an hour.<sup>16</sup> These percentages are considerably higher for non-durable goods industries as well as for women employees.<sup>17</sup> In retail trade estimates of the number of employees earning less than the minimum rate necessary to support a single woman without dependents at a minimum budget level vary between one-third and one-half of all employees in retail establishments.<sup>18</sup>

<sup>13</sup> The Bureau of Labor Statistics collected data which are unpublished and considered little reliable by the Wage and Hour Division of the U. S. Department of Labor.

<sup>14</sup> For some data see "Economic effects of the 75-cent minimum wage rate" in the *Annual Report of the Wage and Hour and Public Contracts Divisions*, 1950, pp. 260 ff. It was estimated that there were about 1,300,000 wage and salary earners paid less than 75 cents in January, 1950.

<sup>15</sup> See U. S. Dept. of Labor, Bureau of Labor Statistics, *Factory Workers' Earnings*, RLS Bulletin No. 1179, April, 1954, pp. 1, 2, and 8.

<sup>16</sup> See *ibid.*, p. 14.

<sup>17</sup> *Ibid.*, pp. 17 and 21.

<sup>18</sup> See Staff Report to the Subcommittee on Labor of the Committee on Labor and Public Welfare, United States Senate on *Retail Establishments and the Fair Labor Standards Act*, 84th Congress, 2d session, Washington, 1956, pp. 128 ff.

These figures show that the Fair Labor Standards Act tries to assure a minimum standard in an economy which has a *chronic tendency to create sub-standard conditions*.<sup>19</sup> The Fair Labor Standards Act is not a typical depression legislation which has no meaning in a high-employment economy. Quite to the contrary it is one of the permanent legislative measures taken during the last decade to assure minimum standards of living.

It is not accidental that the original act contains a clause relaxing overtime requirements when labor and management adopt guaranteed annual employment plans under specific provisions of the act.<sup>20</sup> These provisions—which were liberalized in the 1949 amendments of the act<sup>21</sup>—show that minimum wage legislation and legislation facilitating guaranteed annual wage agreements in collective bargaining are logically related. Since the wage rate is only one of the three factors determining the standard of living, the injection of a standard of value different from the market standard leads necessarily to a concern with these other factors—in this instance with the annual income rather than with the hourly income.

We can discern here an almost in-built tendency for the “minimum responsibility” principle to spread. And the legislative trend as well

<sup>19</sup> If we take the number of wage and salary earners into consideration who are *known* to have earned less than the minimum wage at the time of its enactment we notice a progressive trend: (1938: 300,000 out of 11 million wage and salary earners. 1950: 1.3 million out of approximately 21 million wage and salary earners. 1955: 2.1 million out of approximately 24 million wage and salary earners). However these figures are not comparable (1) because the 1938 data in particular are unreliable; (2) because the relative increases in the minimum are not comparable. In 1955 increases in productivity were taken into consideration whereas no such *explicit* use of productivity criteria was made in previous legislation. However, the large number of wage and salary earners earning less than \$1.00 in 1955 justifies the conclusion that our economy showed a chronic tendency to create sub-standard condition. It is not possible to say whether this tendency is weakening or not.

<sup>20</sup> See *Public No. 718—75th Congress*, Chapter 676—3d session, S. 2475, Section 7 (b).

<sup>21</sup> See *Fair Labor Standards Act of 1938, as amended*, U. S. Government Printing Office: 1952, p. 1. The original act required an annual guarantee of “not . . . more than two thousand hours during any period of fifty-two consecutive weeks (See *Public No. 718—75th Congress*, Chapter 676—3d session S. 2475, pp. 4, 5.) This stipulation was amended by Act of October 29, 1941 (*Public Law 283, 77th Congress*) when the two thousand hour criterion was increased to two thousand and eighty hours. In 1949 these requirements were considerably relaxed. The standard now is an “agreement . . . which provides that during a specified period of fifty-two consecutive weeks the employee shall be employed not more than two thousand two hundred and forty hours and shall be guaranteed not less than one thousand eight hundred and forty hours.” (See *Fair Labor Standards Act of 1938, as amended*, p. 4.)

as the trend in collective bargaining of the past decade indicate clearly that the new principle is indeed spreading. The Employment Act of 1946 is the most significant legislation in this respect. This Act which is primarily concerned with the ~~third~~ determinant of a minimum standard of living—the availability of employment opportunities—shifts the ultimate responsibility for the maintenance of maximum levels of production and employment from the firm and the market to the federal government.<sup>22</sup> The employment act is a truly revolutionary act which has radically changed the predominant type of cost accounting system by establishing the principle of a national budget. The nation's budget <sup>23</sup> has replaced the firm's profit and loss account as the decisive factor in the use of the nation's resources and hence in the determination of the minimum standard of living.

The Employment act thus assures a cost-accounting system within which the objectives of the Fair Labor Standards Act can be realized in a way in which they could not possibly be realized at the time of the enactment of the original act.<sup>24</sup> Further amendments of the Fair Labor Standards Act should, therefore, be based on the existence of the employment act rather than be limited by reasoning which is more in tune with the conditions prevailing 20 odd years ago.

These considerations lead to the conclusion that the principle of "minimum responsibility" has already been proven to be eventually the dominant one and our examination of the other problem-areas listed above will be based on this finding.

## (2) *The wage rate and cost of production.*

I will deal only briefly with this problem since it has been discussed most widely and since most of the inquiries into the impact of minimum wage legislation have been concentrated on this aspect of the problem.<sup>25</sup>

A number of studies have shown that employers have a tendency to react to an increase in the wage rate by taking compensatory measures which increase productivity and thus make it possible to pay a

<sup>22</sup> *Public Law 304, 78th Congress, Chapter 33—2d session. S. 380. p. 1.*

<sup>23</sup> The semi-annual and now annual reports of the President to Congress submitted in accordance with the Employment Act of 1947 contain the nation's economic budget. See, for example, *Economic Report of the President Transmitted to the Congress*, January 24, 1956, Washington, 1956, p. 170.

<sup>24</sup> Basically this difference is due to the substitution of "resource accounting" for "monetary accounting." See William H. Beveridge, *Full Employment in a Free Society*, New York, 1945, esp. pp. 134 ff.

<sup>25</sup> A good deal of the research in this area reflects a conscious—or unconscious—acceptance of the neo-classical framework of thought.

higher wage rate without incurring higher labor costs.<sup>26</sup> At the same time there is a tendency to dismiss marginal and sub-marginal workers thus shifting to the community the responsibility for handicapped workers.<sup>27</sup> This tendency has been effectively counteracted by stipulations in the Acts making it possible to employ handicapped and old impaired, etc. workers below the legal minimum.<sup>28</sup> These stipulations, however, still imply at least a partial shift of responsibility to the community and to the individual worker.<sup>29</sup>

As long as the firm operates within a cost accounting system which allows easy shifting of responsibilities, a provision allowing a substandard minimum wage for handicapped and old workers is necessary. This is a realistic approach for a legislative Act which introduces a new value into a value system alien to the new value. However, the time seems ready to explore the payment of a subsidy (or tax-rebate) to the employer or of a wage supplement to the individual handicapped or old impaired worker rather than merely allowing the employer to hire workers at a lower rate. Once we accept the principle of a minimum wage, we should not withhold such a wage from those who may need it most.

### (3) *Problems arising from the point of view of the community.*

#### *What is a minimum standard of living?*

This question which is a key problem from a theoretical as well as from a legislative point of view has not been given the attention it

<sup>26</sup> See U. S. Dept. of Labor, *Annual Report, Wage and Hour Division*, 1941, pp. 15 ff. Also *The Minimum Wage, An International Survey*, Internat. Lab. Office, p. 234; U. S. Dept. of Labor, *The Effects of Minimum Wage Determination in Service Industries*, Bull. of The Women's Bureau No. 166 (1938), pp. 15-16. See also H. H. Douty, "Some Effects of Wage Orders under the Fair Labor Standards Act," *Am. Lab. Legislative Rev.*, Vol. XXXII, No. 3 (Dec., 1942), pp. 174-175, and "Minimum Wage Regulations in the Seamless Hosiery Industry," *Southern Econ. Jour.*, October, 1941, esp. p. 174; U. S. Dept. of Labor, Bull. of the Women's Bureau No. 137 (1936), pp. 783 ff., and U. S. Dept. of Labor, Bull. of the Women's Bureau, No. 164 (1938), pp. 187-190, and Hearings on S. 1349, pp. 27-29. See A. F. Hinrichs, "The Effect of the 25-cent Minimum Wage on Employment in the Seamless Hosiery Industry," *Jour. of the Amer. Stat. Assoc.*, March, 1940.

<sup>27</sup> See *Ibid.* See also U. S. Department Labor, Wage and Hour and Public Contracts Division, *Results of the Minimum Wage Increase of 1950*, Washington, 1954.

<sup>28</sup> See Section 14 of the Fair Labor Standards Act of 1938, as amended (*Public Law 393—81st Congress*, Chapter 736, 1st session, H. R. 5856.)

<sup>29</sup> The problem which is opened here has widespread ramification. In 1954, for example, there were 2.8 million persons 65 years old or older in the labor force. Two million of these worked "full time."

deserves.<sup>30</sup> The first quantitative budget study undertaken in 1907 took the food allowance of the Atlanta penitentiary as an adequate minimum and did not include provision for water in the housing standards.<sup>31</sup> During the twenties the discussion shifted from a "minimum standard" thus conceived to an "American standard" of living.<sup>32</sup> The depression of the thirties has given to this discussion a blow from which it has not yet recovered in spite of fifteen years of prosperity induced by the war and by federal expenditure for war and other purposes.

There has not even been a systematic discussion of such basic questions as these: (1) to which period of the life and work cycle should the concept of a minimum apply? (2) is the minimum to be adequate for a single person or for a family? If it is to apply to a family, to what size family? (3) is the actual work experience—on an average basis—to be taken into consideration in determining the minimum or is the minimum wage to be legislated on the assumption that workers actually work 2000 hours a year?<sup>33</sup>

It is not sufficiently known that the one dollar minimum enacted by the 84th Congress in 1955 falls considerably short of the lowest possible denominator that could be found in determining a minimum wage, namely the minimum needs of a single woman without dependents who is supposedly working 2000 hours a year. To support such a woman at a minimum which is defined in terms of the median of 13 extremely low state budgets particularly devised for minimum wage legislation, required in April, 1955 an hourly rate of \$1.15.<sup>34</sup> The present minimum rate of \$1.00 an hour would have to be increased by 15 per cent (not considering increases in the cost of living and other relevant factors) if minimum wage legislation was to be adequate for this minimal conception of a minimum wage. If the legal minimum wage was to be adequate for the very modest needs of a

<sup>30</sup> See Staff Report to the Subcommittee on Labor of the Committee on Labor and Public Welfare, United States Senate on *Amendment of the Fair Labor Standards Act of 1938 as amended*, 84th Congress, 1st session, Washington, 1955, pp. 32 ff.

<sup>31</sup> See *ibid.* p. 32.

<sup>32</sup> *Ibid.*

<sup>33</sup> *Ibid.* p. 35. See also Staff Report to the Subcommittee on Labor of the Committee on Labor and Public Welfare, United States Senate on *Retail Establishments and the Fair Labor Standards Act*, 84th Congress, 2nd session, Washington, 1956, p. 132.

<sup>34</sup> See *Amendment of the Fair Labor Standards Act of 1938 as amended*, *op. cit.*, p. 35.

family of four, then it would have to be increased by 113 per cent!<sup>85</sup> Not much has to be said to prove that the present realization of a minimum responsibility falls short of the ethical standards and the material potential of the richest democratic country in the world.

But present legislation does not only fall short in terms of an acceptable minimum responsibility concept applied to the wage level. It falls also short in regard to the number of workers who are now covered by the Fair Labor Standards Act.

*Which firms should be covered by the Act?*

The problem of coverage is one of the most important problems, not only from a general theoretical point of view but also in view of recent attempts to broaden the coverage of the Fair Labor Standards Act.<sup>86</sup>

The original Act covered most of manufacturing irrespective of the size of the firm but exempted practically all retail and service establishments, all of agriculture, domestic service and a good fraction of wholesale and agricultural product processing establishments.<sup>87</sup>

In 1949 when major amendments to the original act were passed, the coverage of the act was narrowed rather than broadened.<sup>88</sup> In September, 1953 about 24 million out of a total of 48 million wage and salary earners were effectively protected by the Fair Labor Standards Act.<sup>89</sup>

A good deal of the past history of coverage exemptions, particularly the actions taken by the 81st Congress, can rationally be explained only as an attempt to maintain the "status quo ante" when responsibility for the maintenance of minimum standards was shifted from the firm to the individual or to the community. Those industries which had enough political influence to stave off a redistribution of

<sup>85</sup> *Ibid.*

<sup>86</sup> See *Amending the Fair Labor Standards Act of 1938*. Hearings before the subcommittee on Labor of the Committee on Labor and Public Welfare, United States Senate, 84th Congress, First Session, Part 3, pp. 1494 ff.

<sup>87</sup> Section 13 (a) (2) of the original act exempted "any employee engaged in any retail and service establishment the greater part of whose selling or servicing is in intrastate commerce" from the wage and hour provisions of the act. For a discussion of this question see Staff Report to the Subcommittee on Labor of the Committee on Labor and Public Welfare, United States Senate on *Retail Establishments and the Fair Labor Standards Act*, United States Senate, 84th Congress, 2d session, Washington, 1956, p. 17. For further details on coverage see *Amendment of the Fair Labor Standards Act of 1938 as amended*, *op. cit.*, pp. 13-16 and *Retail Establishments and the Fair Labor Standards Act*, *op. cit.*, pp. 16 ff.

<sup>88</sup> See Annual Report of the Wage and Hour Division, *op. cit.* pp. 194 ff.

<sup>89</sup> See *Amendment of the Fair Labor Standards Act of 1938 as amended*, *op. cit.*, p. 14.

responsibility and control exercised their political power to be exempted from the Act.<sup>40</sup>

However, there are other reasons which have to be examined in order to understand the problem of coverage. Firms of a local character, that is, firms not operating in interstate commerce, and small firms may have a rationale for exemption from the act. The validity of this rationale depends (1) upon the interpretation of the purposes of the Act, (2) upon economic, and (3) upon administrative considerations.

If the Act is construed to intend only the elimination of substandard wages to the extent to which they create an unfair competitive advantage, retail and service trade should not be covered because the goods they *sell* do not enter into interstate commerce. However, if it is the intent of the Act to eliminate substandard wages because substandard wages are not compatible with the values of our community, and political and legal considerations made a narrow interpretation of the commerce clause advisable, then the justification for a uni-dimensional criterion for interstate commerce disappears and retail trade, for example, becomes part of interstate commerce by virtue of selling goods which are purchased through interstate commerce.<sup>41</sup>

It seems to me that the intent of the act clearly indicates a desire to eliminate substandard wages not merely because they contribute to unfair competition but primarily because they are, in and by themselves, undesirable.<sup>42</sup> It is certain, furthermore, that certain legal

<sup>40</sup> A number of amendments were introduced in the floor of the House. No evidence was submitted and no evidence was available to counteract these amendments.

<sup>41</sup> For a further discussion of this point see *Retail Establishments and the Fair Labor Standards Act*, *op. cit.* pp. 190-198. See also *Amending the Fair Labor Standards Act of 1938*. Hearings before the subcommittee on labor of the Committee on Labor and Public Welfare, United State Senate, 84th Congress, 2nd session, Washington, 1956, pp. 260 ff.

<sup>42</sup> Certain passages of the original act support this thesis even more clearly than the declaration of policy of the original act. This declaration of policy was incorporated in all subsequent amendments. However, other sections of the original act were eliminated. Among those which were eliminated in subsequent amendments is a section dealing with wage orders to be issued as a result of the action of industry committees. This section—section 8 (a) of the original act—begins as follows: "With a view to carrying out the policy of this Act by reaching, as rapidly as is economically feasible without substantially curtailing employment, the objective of a universal minimum wage of 40 cents an hour in each industry engaged in commerce or in the production of goods for commerce. . . ." (See *Public No. 718—75th Congress*, Chapter 676—3d session—S. 2375, p. 5.) The language used here clearly outlines a broad objective rather than an objective limited to eliminate substandard wages which create unfair competition.

restrictions existed at the time when the Fair Labor Standards Act was enacted, restrictions which subsequent Supreme Court decisions invalidated.<sup>43</sup>

Finally there were definite economic limitations, since there was no agency which had the ultimate responsibility for maximum levels of production and employment. Downward flexibility of wages is superfluous if there are no major depressions and the employment potential of marginal firms is not significant in an economy operating under a national budget. The experience of minimum wage legislation shows that an insignificant number of firms were forced out of business.<sup>44</sup>

Since previously relevant limitations do not exist any more, there is no reason to refrain from implementing the basic objectives of the Act, that is from building up a cost accounting system in which control and responsibility are distributed in such a way that *nobody* has to work at substandard wages.

Exemptions are still justifiable but only (1) because the firm is

<sup>43</sup> It has been suggested repeatedly that the commerce clause of the Fair Labor Standards Act be changed from "industries engaged in commerce" to "industries affecting commerce" in order to remove any doubt as to the inclusion of retail trade.

As early as 1938, an "affecting" commerce clause was incorporated in a bill introduced in the House of Representatives (see House of Representatives, Rept. No. 2182, 75th Cong., 3d sess.). During the first session of the 84th Congress two bills introduced in the Senate contained the "affecting industry" clause (S. 662, introduced by Mr. Lehman of New York, (for himself, Mr. Green, Mr. Kilgore, Mr. McNamara, Mr. Neely, and Mr. Pastore; S. 770, introduced by Mr. Murray).

A number of Supreme Court decisions rendered in connection with a similar clause incorporated in the National Labor Relations Act make it certain that such a modification would be upheld if contested in the Court.

See sec. 2 (7) of the National Labor Relations Act, as amended [29 U.S.C. 152 (7)]. The Supreme Court has stated in various cases that Congress did not go to the limit of its own power to regulate commerce in the coverage provisions of the Fair Labor Standards Act (see in particular *Kirschbaum v. Walling* [1942], 62 Sup. Ct. 1116).

In *United States vs. Darby Lumber Co.* ([1941] 61 Sup. Ct. 451), the Supreme Court states that "the motive and purpose of a regulation of interstate commerce are matters for the legislative judgment upon the exercise of which the Constitution places no restriction and over which the courts are given no control." See also *Roland Electric Co. v. Walling* ([1946] 90 L. Ed. 383-391).

In regard to various decisions involving the commerce clause of the National Labor Relations Act see *N.L.R.R. v. Suburban Lumber Co.* (121 F. 2d 829, certiorari denied, 62 Sup. Ct. 364); *N.L.R.R. v. Richter's Bakery* (140 F. 2d 870, certiorari denied, 322 U. S. 754); *N.L.R.R. v. Schmidt Baking Co.* (122 F. 2d 162); *N.L.R.R. v. White Swan Co.* (118 F. 2d 1002, certiorari denied, 62 Sup. Ct. 93); *N.L.R.R. v. M. E. Blatt Co.* (143 F. 2d 268, certiorari denied, 323 U. S. 774); *N.L.R.R. v. Woolworth Co.* (121 F. 2d 658); *J. L. Brandeis & Sons v. N.L.R.R.* (142 F. 2d 977, certiorari denied, 323 U. S. 751).

<sup>44</sup> See footnotes 26 and 27.



not in interstate commerce even on the basis of a multi-dimensional criterion including both purchases and sales—like, for example, service trades; (2) because of administrative difficulties in case of many very small units.<sup>45</sup> However, exemptions are not justifiable any more because the assumption of minimum responsibilities makes it impossible for a firm—or an industry—to survive in the competitive struggle.

If we accept the basic values embodied in minimum wage legislation and the resulting new cost accounting system—then no firm or industry has the right to exist unless it can pay the minimum. If the existence of the industry or of a part of the industry is endangered because of the minimum responsibility, yet desirable from the point of view of the community because other values are at stake, then the problem should be solved by subsidies or tax rebates rather than by exemption from minimum wage standards.

(4) *Management as an organized power group.*

The Fair Labor Standards Act is the beginning of a long series of legislative acts which, as has been shown above, modified basically the system of control and responsibility which is the basis of any cost-accounting system. The act is the beginning of a process which shifts responsibility, and hence costs, back to the enterprise. Nobody can blame management as an organized power group that it has not enthusiastically welcomed such a process. However the process is unavoidable and irreversible. And the dilemma it creates is clearly shown in management's approach to minimum wage legislation.

Whenever an era comes to an end without having developed intellectual tools and modes of thought which prepare it for a new epoch, there is a tendency for arguments to lose a concrete frame of reference. This is as true of our own times as it was of the decline of the middle ages when scholasticism had lost contact with reality.<sup>46</sup>

An illustration of this tendency is the position taken by the National Association of Manufacturers which is opposed to minimum wage legislation "in principle" on the basis of purely theoretical considerations without even making an attempt to substantiate its position by an appeal to "facts."<sup>47</sup>

<sup>45</sup> See *Retail Establishments and the Fair Labor Standards Act*, *op. cit.*, pp. 190 ff.

<sup>46</sup> I am indebted to Professor Mulford Q. Sibley of the University of Minnesota for bringing this analogy to my attention.

<sup>47</sup> See *Amending the Fair Labor Standards Act of 1938*. Hearings before the Subcommittee on Labor of the Committee on Labor and Public Welfare, United States Senate, 84th Congress, First session, Part 2, pp. 598 ff.

Short of a more realistic approach to the problem, and short of a willingness to accept democratic values in the economic as well as in the political sphere, the only alternative for management as an organized power group is a practical attempt to influence the administration of the law particularly within those broad realms where administrative interpretation is necessary and hence administrative law evolves.

(5) *Labor as an organized power group*

Labor, in principle, does not want any more government control of economic life than does management. But labor needed legislative help to redress the lopsided distribution of responsibilities and control inherent in a so-called free market system. Hence labor became the political advocate of minimum wage legislation without being necessarily more conscious of the logic and implications of such legislation than management is.

Labor, furthermore, uses minimum wage legislation in conjunction with the collective bargaining process particularly in the garment and textile industries.<sup>48</sup> Such an intermingling of the legislative and the collective bargaining processes may be considered to be an expression of astuteness. But it also indicates labor's inability to organize those workers who, on the basis of their distressed economic conditions, must be considered easiest to organize.

It is, of course, not labor's fault that the present social and psychological conditions of certain groups and/or the conditions in certain parts of the country make organization difficult. But it is within labor's power to decide on what basis to appeal to the wage and salary earners of the country. The difficulties of organization could lead to a reconsideration of labor's political role and of the whole ideology which forms the basis of the organized labor movement and of the loyalties which it creates. Such an approach must not be considered as an alternative to minimum wage legislation but as an additional concern. A more articulate concern with the problems of a democratic organization of industry and a further development and adaptation of the humanitarian impulse of the labor movement to the present-day situation is necessary if labor is to maintain a leading role in the industrial and legislative scene.

As our socio-economic system is being changed by a redistribu-

<sup>48</sup> The International Ladies' Garment Workers' Union announced briefly after enactment of a one dollar minimum wage that it would try to maintain established wage differentials.

tion of power and responsibility, more power and responsibility accrues to labor. This trend requires a broadening of labor's conception of a democratic organization of industry. Otherwise labor is either powerless to implement a new system of control and responsibility democratically, as it is wielding irresponsible power.

(6) *Community as a whole*

Irresponsibility not only is the assumption of control with responsibility, be it on management's or on labor's part. Irresponsible also is the acceptance of the growing trend toward centralized control of our economic life without an articulate preoccupation with the problem of bureaucracy. It is true that the bureaucracy of the federal government is a minor bureaucracy as compared to the bureaucracy of the large corporations. But two evils do not make a good; both bureaucracies must be challenged. And we may throw in the bureaucracy of labor for the sake of a just measure.

The dangers of the present trend can be spelled out rather concretely in terms of the dual implication of labor as an overhead cost. Labor may be an overhead cost because it is an independent agent in a free society. But slaves too are an overhead cost in the cost accounting system of the slaveholder. And labor may become an overhead cost in a corporation which regulates the life of the workers.<sup>49</sup> Hence the problem of responsibility and control must be examined in connection with the problem of freedom of the individual. The Fair Labor Standards Act which is the landmark of a new historical trend leaves this fundamental question yet unanswered. It leaves, therefore, unanswered the question whether the new system of cost accounting which the Act inaugurated will be a truly democratic one or whether it will leave the power of corporate enterprise over the individual unchallenged and buttressed by an interlocking bureaucracy of management, labor and the government. This can hardly be considered as the intent of the legislative trend which began with the Fair Labor Standards Act. If this intent is to be realized, the principle of "minimum responsibility" must be interpreted in terms of a democratic responsibility on the part of all those concerned with the organization of industry.

<sup>49</sup> The picture given in "The Wives of Management" and "The Corporation and the Wife" is not particularly promising. See *Fortune*, October, 1951 and November, 1951.

## DISCUSSION

JOHN H. VAN SICKLE

*Wabash College*

At the very outset I want to congratulate Dr. Weiss on his carefully-reasoned argument in favor of the Fair Labor Standards Act, and on the scrupulous fairness with which he uses statistical data. Also, I wish to congratulate the Labor Department, through Dr. Weiss, for the way in which it is going about the task of providing statistical materials with which to measure the effects of the Fair Labor Standards Act. The plan for the study seems to me to be well conceived and the information should be of great use to economists for a variety of purposes.

I take it from a footnote reference that Dr. Weiss has read at least one of my "attacks" on the Fair Labor Standards Act. He will, therefore, not be surprised to know that I am still not convinced; that I still think that it is a mistake to attack the problem of differences in levels of well being in different parts of the country through a *flat* and uniform wage increase *applicable exclusively to firms engaged in interstate commerce*. I stress the phrase in italics to emphasize the fact that my discussion is not directed to the effects of a minimum wage in general, as the title of Dr. Weiss' paper implies, but to the effects of a partial minimum wage applicable to the export industries of the several states, which means, as far as the old South is concerned, the highest and not the lowest wage-paying firms in that region. I know of no other country in the world which has this kind of a minimum wage.

While I shall welcome the statistical materials which Dr. Weiss promises us, I confess that I am skeptical of the possibility of using them either to prove or disprove the effects of measures like the one here under consideration. This doubt is due to the fact that in economic life literally hundreds of forces operate simultaneously. Consequently it is next to impossible to "prove" anything inductively. If events take a more favorable (or a less favorable) turn than a theorist predicted, he can always say that developments would have been still more favorable (or less favorable) if the measure he criticizes had not been taken. And he cannot be *proved* to be wrong.

I take it that Dr. Weiss has no basic objections to the classical line of reasoning with respect to the way in which adjustments take place in a market economy. He does, however, make the assumption

that competition has not worked sufficiently well to force employers to make all the possible cost-saving changes in techniques that are possible; that as a result the imposition of a minimum wage will produce the necessary pressure to achieve these improvements and that employment will not be greatly affected. This may be called the shock theory.

The assumption is that an imposed increase in costs leads firms to increase the effectiveness of their use of resources by measures which they could have but would not otherwise have taken. This improvement may be due to the use of more capital per man, i.e., better tools, or better control of the existing production and marketing procedures. In either case the improvement would have resulted in lower unit labor cost had wages not been increased.

But wages have been increased, hence the affected firms are left with *higher* or *lower* or *unchanged unit labor costs*. Let us consider each of these possibilities in turn.

If the firms are left with higher unit labor costs the traditional charge against the Fair Labor Standards Act's adverse employment effect on these firms stands. Only this one brief observation is called for. The firms will lose money but they will continue to operate as long as their variable costs are covered. In the short run, therefore, the adverse employment effect may be very slight. This is one of the reasons why in my judgment so many of the wage studies made by the Department of Labor shortly after each increase in the minimum wage have been misleading.

If labor costs remain unchanged the low wage firms will presumably be able to maintain their share of the market. The high wage firms will experience no reduction in the competitive pressure coming from the low wage firms. In this particular case the intervention appears to have had a socially desirable effect. Wages are increased without any reduction in the incomes going to other factor owners. Here again one qualification may be in order. If the slack had been taken up through normal competition the firms in the low wage paying areas would have been able to draw workers from the unprotected sectors of the economy, widen their profit margin, expand their operations and exercise an upward leverage effect on all incomes throughout the area. They are not now in a position to do this. Here is another reason why those who accept the traditional line of reasoning regard competition as superior to wage manipulation as a means of making management more efficient.

If the shock treatment results in lower unit labor costs the com-

petitive position of the firms in the low wage areas will be stronger than ever. But is this what the advocates of the Fair Labor Standards Act really want?

The testimony which was submitted in connection with the original 1938 bill and with each of the revisions, the writings of Professor Seymour Harris, the recent Report on New England, all combine to convince me that a majority could never have been rallied behind this particular measure if manufacturers and workers in the Northern, Central, and Western States had not seen in a uniform minimum wage applied to firms operating in interstate commerce a device for reducing the competitive pressure coming from the relatively under-developed South where a prolific population working on small and mediocre farms were able and willing to provide an almost unlimited supply of workers for the rapidly developing industrial sector of the southern economy at rates which represented a very substantial improvement for them but which firms in the more industrialized parts of the country could not possibly meet.

To conclude: I do not deny that the Fair Labor Standards Act to date has had little or no effect upon total employment in the United States or in the poorer states. But this still seems to me to be despite the Act. I would attribute the actual results primarily (a) to the fact that the early increases were nullified by inflation before they had a chance to operate; (b) to a differential growth of trade unionism which may have widened geographical wage differentials in covered industries more than the Fair Labor Standards Act could narrow them; and (c) to the increasing flow of federal aid into the rural South, under a revenue system which results in a net transfer of capital into that region. I see no reason to alter my verdict that a major objective of the Act is to protect the status quo. Moreover, I think (and this is frankly a political judgment) that the forces which support the measure will finally succeed in getting the minimum rate up so high that it will accomplish its intended result which is to slow down the industrialization and modernization of the South in order to give the older regions more time to make some rather painful adjustments. Perhaps I would be more favorably disposed to the Act if its proponents would admit that this is their purpose, for I recognize that economic statesmanship may sometimes require interventions to soften and make socially acceptable the beneficent but sometimes harsh disciplines of competition.

I am sorry that Dr. Blum's interesting and provocative paper was received too late to permit me to comment on it.

**LAZARE TEPER***International Ladies' Garment Workers' Union*

The two papers serve as an excellent complement to each other; while Harry Weiss seeks to summarize the empirical evidence on the several effects resulting from the introduction of minimum wages under the Fair Labor Standards Act, Fred H. Blum attempts to construct a broader theoretical framework for the appraisal of the consequences of minimum wage legislation.

In dealing with any social phenomenon, it is not always easy or possible to isolate the influence of a single factor on the sum total of behavior to the exclusion of other influences. Nor is it always possible to obtain the desired data with the degree of completeness desirable for a comprehensive analysis. And yet, the consideration of available information, however fragmentary, may provide an analytical base for study and evaluation just because such data, though scattered over a period of time and drawn from a variety of differing industrial and geographical situations, offer, nevertheless, certain patterns of conformity which permit the development of generalized principles. This is the basic value of Harry Weiss' paper. Fragmentary though his data are, the assembled information leaves an unavoidable impression, despite the naturally cautious tone of his presentation, that the promulgation of different minimum wage rates since the inception of the Fair Labor Standards Act took place without bringing in their wake any economic adversity. Thus, for example, the available empirical evidence suggests that the raising of minimum wages did not create mass unemployment as might have been expected were the writings of some theoreticians taken at their face value. On the other hand, the empirical evidence also suggests that an increase in minimum wages did induce a number of enterprises to seek ways and means to improve the efficiency of their operations in order to counterbalance rising unit costs. This by-product of minimum wage adjustment (and frequently a by-product of general wage adjustment in specific enterprises) suggests that the dynamic role of higher wages in spurring on increased productivity is in accord with the generally accepted long-term objectives of social progress.

Fred H. Blum does not seek in his present paper to deal with the frailties and hopelessness of marginalist analyses of minimum wage adjustments. This task he tackled, with a considerable degree of success, in his September 1947 *American Economic Review* article:

"Marginalism and Economic Policy." Instead, he tries to bring a different dimension to the analysis of the minimum wage legislation by examining its implications from the viewpoint of the doctrine of social costs. In terms of his framework of reference, the concept of social costs is an expression of "the interrelationship between the basic distribution of power in society which determines what groups assume responsibility for the realization of certain values and the peculiar mode and system of cost accounting adopted by alternative kinds of social organization." This approach, broadly evaluated, is in consonance with the thinking of institutionalists who recognize that our social and economic structure is man-made and imperfect and that man has both the will and capability to influence social and economic organization with a view to maximizing its service potential to the community at large. Blum's stress on the need for an interdisciplinary approach to the study of social phenomena is also in accord with the institutional approach and appears to be eminently sound.

While there is little doubt that the passage of minimum wage legislation affecting a substantial group of employers did require some of them to change their system of values and pay their employees at a rate not less than the one set by law, it seems questionable whether the promulgation of the "minimum responsibility" principle was as drastic in its effect on the existing cost accounting system as Blum's paper suggests. This doubt turns on the meaning to be given to the status of the cost accounting system in vogue prior to the passage of the Fair Labor Standards Act. Was it really geared to the "equilibrium" principle of the free market system? Or is the equilibrium referred to merely a theoretical postulate that had no real counterpart in the external world? The very fact that studies of wage rates within individual communities for the same or equivalent tasks show wide variations, as do the rates between different localities and regions, suggests the difficulty of generalizations in terms of any equilibrium principle (Cf. Richard S. Lester, *Wage Diversity and Its Theoretical Implications*, in the *Review of Economic Statistics*, August 1946). These disparities, in a way, confirm the observation made by Professor C. Canby Balderston in 1936 when he noted that many industrial firms "actually tend to pull their base rates out of the air with little or no study and investigation" (his "Wage Setting Research" in *Personnel Journal*, December 1936, p. 222).

It is very questionable whether wage standards at any time have been determined by the "blind forces of the market." Rather, indi-



vidual determinations have been influenced by a variety of considerations with psychological, social and historical factors, such as the social outlook and generosity of the management, community and mores, tradition and past position of the firm, all playing a role in the process of wage setting (Lester, *supra.*). Furthermore, as of the time the Fair Labor Standards Act was first adopted, in numerous cases wages were determined by conscious and deliberate negotiations between management and organized labor, and in some cases even by administrative actions on the State level (although admittedly in comparatively few situations). Similarly, we cannot ignore the fact that the rule-making power of the body social has repeatedly been invoked in other situations affecting the general level of social costs—through the imposition of taxes the revenue from which was devoted to general welfare, through the imposition of standards for factory maintenance and building construction which inured to the benefit of the workforce in the form of greater safety, through the development of methods for compensating injured workers, through credit controls and the levying of tariffs on imported goods, and in many other ways. While not all rule making automatically reflected itself in the wage-setting process, it is significant because it required a reallocation of social values and hence a shift in the nature of social cost accounting. For that matter, state intervention in the individual affairs is unavoidable. The existence of a problem creates a need for action—this is a general proposition which holds for a variety of situations. The type of actions that would be undertaken is, itself, a function of social attitudes and consciousness of the community regarding the nature of the problem; and each of them brings in its wake a change in the nature of social cost accounting. In the case of minimum wages, as Blum points out, the cause for action is clear—the very existence of wage rates which do not provide a full-time worker with sufficient income to assure him a livelihood on a minimum standard of adequacy (within the meaning of this term given at a particular time) suggests the need for intervention. To take a different position is to advocate a value system which would require certain individuals to subsidize the rest of the community and/or their employers by their own privation.

The main contribution of Blum's paper is in the light it sheds on the logical limitations of the existing minimum wage legislation and on the logical interdependence between the minimum wage promulgation and the other provisions of the Fair Labor Standards Act

designed to stimulate employment regulations on the one hand and the Employment Act on the other.

It is unquestionably true that if the community deems it reasonable to require that certain workers be paid not less than a specific minimum wage with a view to controlling one of the variables in the minimum standard of living equation, no logical justification can be deemed to exist for the exclusion of other non-covered groups of employees who require similar protection. A certain amount of confusion does arise when Blum seeks to reconcile practical aspects of the federal legislative process, which can be extended to operations affecting interstate commerce, with the exclusion of operations conducted in intrastate commerce. Aside from the existing functional division of responsibilities between the Federal and State Governments which can lead to a hiatus in the absence of state action dovetailing federal legislation, the exclusion of such employment from minimum wage coverage, in terms of the doctrine of social cost, can hardly be rationalized, particularly because of the not-too-infrequent situation where it is found that the proposed standards are already met by a certain number of local establishments.

While the passage of the Employment Act does suggest the nation's concern with another determinant of a minimum standard of living—as pointed out by Blum—it is somewhat difficult to see at the present time how the two statutes can be properly integrated into a "resource accounting" system. This is indeed an area where one would like to hear further thinking from Blum. The basic idea is intriguing.

This is one of the challenging propositions advanced by Blum. He raises several others, such as those regarding the appropriate standards for gauging the adequacy of the minimum wage. On the other hand, Blum also exhibits certain fears about the future role of what he calls "the new system of cost accounting" (and which I would prefer to call the modified system of cost accounting) inaugurated by the Fair Labor Standards Act. In this connection one may well recall the idea of two wise men. John R. Commons held that "Truth is not to be tested merely by consistency or argument from assumed premises; the ultimate truth or validity of an idea is to be tested only by the consequences of acting upon it" (Kenneth H. Parsons in John R. Commons, *The Economics of Collective Action*, p. 17). The other is the thought offered by Alfred North Whitehead: "To sustain civilization with the intensity of its first ardour requires more than learning," he wrote. "Adventure is essential, namely, the search for a new

perfection. . . . A race preserves its vigour so long as it harbours a real contrast between what has been and what may be; and so long as it is nerved by the vigour to adventure beyond the safeties of the past. Without adventure civilization is in full decay." (his *Adventures of Ideas*, Pelican Book edition, pp. 297, 321.)

N. ARNOLD TOLLES

*Cornell University*

Mr. Weiss has given us the best brief statement ever made of the studies of the impact of the various minimum wage orders of the Federal government. Further detail may be found, not only in the works cited by Mr. Weiss, but also in a valuable Cornell University thesis by Miss Jean Wells.<sup>1</sup> Miss Wells analyzed both State and Federal studies of both the State and Federal experience during the 40-year period from 1912 to 1952. Ironically, Miss Wells discovered that one of the best of these studies was the first one—conducted in the year 1914.

The broad conclusion of Mr. Weiss's paper seems to be that minimum wage orders in the United States have channeled some of the gains from rising productivity to the benefit of the lower-wage workers to a greater extent than would have occurred in the absence of such regulations. I agree with that proposition and also with the negative conclusion of Mr. Weiss that minimum wage laws cannot be expected to have any significant effect on aggregate purchasing power. Certainly I agree that the current studies have been designed more intelligently than were most of the two dozen earlier surveys.

Mr. Weiss has done his best to squeeze the substance from these past studies, but the fact is that this most statistically-minded of all nations has really learned very little from its minimum wage experience. One would think that a minimum wage order would provide exactly the kind of controlled experiment which social scientists wish for and seldom find, inasmuch as a single and relatively simple new condition is introduced at a definite point in time. Yet what we have is very largely a record of what did *not* happen, rather than a record of what *did* happen. Why are we left in this state of ignorance?

<sup>1</sup> Jean Alice Wells, "Effects of Minimum Wage Laws in the United States: A Review of Statistical Evidence, 1912-1952," September 1953, an M.S. thesis, available in the library of the New York State School of Industrial and Labor Relations, Ithaca, N. Y. A brief summary of the findings of this thesis appeared in *ILR Research*, December 1955.

Doubtless there are many reasons. Three of these reasons seem to be connected with the inadequate design of previous surveys.

1. *Undue Aggregation.* An important defect of most of our impact studies has been the defect of lumping together the cases where the minimum wage had no effect, little effect and much effect. The typical American minimum wage order has required little if any change in the pre-existing wage rates of most of the industries, areas, establishments and workers. Any study which combines the data from large areas of little impact with data from small areas of heavy impact is bound to show that nothing much happened, on the average. If our objective is not merely to defend minimum wage laws against criticism but to predict what adjustments a new minimum will bring about, it is necessary to segregate for intensive study those sectors where a minimum has required changes to be made. The projected studies of the impact of the \$1.00 minimum include portions which will permit special attention to 12 low-wage industries, 10 small communities and 300 plants which were most severely affected. The findings from these portions of the battery of studies should provide the most revealing results.

2. *Limited Perspective.* A second general defect of previous studies is that they have tended to be "one-idea" studies. One type of study has sought to discover whether employment was curtailed; another type has sought to discover whether product prices were raised—and so forth. The typical finding has been that the anticipated result did not occur, at least not to any large extent. However, if we focus on those cases where some definite and sizeable increase in wages has been required, we know in advance that some adjustment must be made. The problem is to discover what did happen to what extent, not to prove that something or other did not happen.

The best chance to obtain the information we most need seems to be provided by the projected survey of 300 most heavily-affected plants. Our information is that these plants will be visited by B. L. S. "productivity experts" who will investigate the changes made in "machinery, plant layout and other management practices." So far, so good, but I fear that the eventual report will be that there were no very widespread changes in the particular management practices which have been selected for investigation. Will this most detailed portion of the survey catch any changes in product mix, labor mix, production standards for labor, quality standards for the product or service, prices paid and prices obtained, management expenses and even the old-fashioned possibility that the additional cost may have

simply reduced profits? Since I have not seen the survey plan for the 300-plant investigation, I can hope I am wrong in criticizing its possible limitations.

3. *Deficient Analysis of Controlling Factors.* A third defect of most previous studies has been that they have neglected the wonderful opportunity to relate the findings, in any sharp and specific manner, to the internal and external circumstances of the employers who were required to raise minimum wages. Very appropriately, Mr. Weiss has commented in a general way on cases where the impact was buried and obscured by conditions of war and price inflation. However, that is not sufficient to give us a basis for prediction. We need to relate measured doses of minimum wage pressure to exactly defined and measured conditions under which the change in minimum wage occurred.

A simple illustration of this third point comes out of a recent personal experience of mine as chairman of a New York State board to recommend a new minimum wage for the drycleaning industry. A good and recent survey of the wage distribution in this industry made it easy for us to estimate that the "direct" effect of a 90-cent minimum, other things equal, would be to increase payroll costs in the industry as a whole by 1.7 percent. But the employer members contended that a 90-cent minimum would require that every employee would get a 10-cent increase from the previous 80-cent minimum, requiring a 12 percent increase in payroll costs—seven times as much as the "direct" effect of a 90-cent order. Here is a simple problem which should be solved by the findings of previous studies. On this issue, Mr. Weiss is able to report the findings from just six surveys and these surveys show that the increase in total payroll cost ranged from 102 percent to 226 percent of the "direct" cost. Mr. Weiss, very wisely, observes that the "indirect" effect of a legal minimum is likely to be greater if workers are paid on a piece-rate basis and that the effect is likely to be greater over an extended period of time. However, we are still not able to identify the circumstances under which the total payroll cost will be close to the minimum "direct" cost as compared with the circumstances under which the total cost will be several times the "direct" cost. We need factual investigation, not only of the influence of incentive rates and of the time factor in adjustment but also the degree of compression of the pre-existing wage structure, the type of physical and social association of the various employees and the kind of wage pressures exerted by any union which operates in the industry in question.

Lest I be thought to be captious or unfriendly, let me conclude by repeating my judgment that the contemplated surveys by Wage-Hour and B. L. S. are the best-designed surveys we have had. I would merely add the thought that this is a rich field for further investigation by a variety of research agencies.

**Part VII**

**ECONOMICS OF THE SHORTER  
WORK WEEK**

# HOURS OF WORK AND HOURS OF LEISURE

H. G. LEWIS

*University of Chicago*

IN THIS PAPER the shorter work week is a synonym for the declining trend in the fraction of a worker's lifetime devoted to market (labor force or breadwinning) activities or, equivalently, for the increasing fraction devoted to non-market (leisure) activities. The problem of explaining this long-run trend, however, is but one of many problems that fall under the heading "the per capita demand for leisure" or "the per capita supply of hours of work." There are in addition other "time series" variations (seasonal and cyclical, for example) in hours of work as well as many types of cross-sectional "differentials" in hours of work that also demand explanations consistent with that for the long-run trend.

This paper reports some of the exploratory work of a research project on some of these hours of work problems that we<sup>1</sup> have undertaken in the Labor Economics Workshop at the University of Chicago. We hope to provide both improved estimates of some of the main differentials in hours of work per head and more satisfying explanations of these differentials. Because our work is still in its early stages, however, this paper will deal mainly with the analytical tools with which we are working on the long-run trend data.

Our approach is orthodox: mainly the theory of the demand for leisure viewed as a consumption good. Let us review quickly the main elements of this theory. Assume a two-commodity world—leisure (time) and "wage goods"—and, to begin with, abstract from the problem of the allocation of a worker's consumption of leisure over his lifetime. Each worker, facing a given market price of leisure in terms of wage goods (real wage rate per hour) and with a given real property income, is viewed as allocating his total income<sup>2</sup> between leisure and wage goods in such a way as to maximize his utility.

<sup>1</sup> My associates are Miss Ethel Jones and Mr. Jeremiah German.

<sup>2</sup> His real property income plus his real earnings calculated at a zero rate of consumption of leisure time. Furthermore, this total real income should be interpreted as long run or "permanent" income in the sense used by Friedman and Kuznets; see their *Income from Independent Professional Practice* (New York: National Bureau of Economic Research, 1945) pp. 325-338 and 352-364. See also Friedman's *A Theory of the Consumption Function* (to be published by the National Bureau) chapters II and III for further discussion of the distinction between "permanent" and "transitory" components of income and consumption.



Thus given the worker's tastes, his consumption of leisure and thus his hours of work supplied, both measured in hours per unit period of time, depend upon his estimates of his long-run or permanent real wage rate and real property income prospects. His demand function for leisure (or labor supply function) has the familiar properties: the substitution effect of a rise in the real wage rate is a reduced consumption of leisure per head (increased hours of work supplied per head); the income effect of a rise in the real wage rate or in real property income is an increased rate of consumption of leisure per head (reduced supply of hours per head) if leisure is a normal commodity. Market or group demand functions for leisure also have these properties though they may also depend upon the distribution of tastes, real wage rates, and real property income.

Now let us put this theory to work on the problem of the long-run trend. Assume, I think reasonably, that tastes for leisure are very stable in the long run. In the United States in the last half century both the real wage rate per hour and real property income per head have had strong upward trends. Thus each successive generation has been able to estimate higher real wages and real property income prospects than its predecessors. The rise in real wage rate prospects tends on the one hand to produce substitution effects raising the hours of work supplied per head and, on the other hand, income effects lowering the hours of work supplied per head (if leisure is a normal commodity) and the rise in real property income prospects also tends to produce income effects in the same direction. It is apparent that if this theory is to be consistent with the long-run data, leisure must be a normal commodity; one, indeed, for which the long-run income effects outweigh the long-run substitution effects.

That hours of work on the average for the economy as a whole have tended to change relatively slowly and smoothly is quite consistent with this theory, for the hours of labor supplied per head are made to depend chiefly upon long-run or permanent real wage rate and real property income prospects which will tend to be relatively little affected by short-run ("transitory") variations in real wage rates and real property income.

I have said nothing thus far about the *demand* for hours of work per head—that is, about employers' preferences (arising either from the employers' personal tastes or from technological considerations) regarding the hours of labor per capita of their employees. Assume to begin with that at each real wage rate employers are completely indifferent with respect to the hours of work schedules of their

employees, though, of course, they are not indifferent with respect to the total of the man-hours of all of their employees taken together. Thus at any given real wage rate, the demand schedule of each employer and, indeed, of all employers together will be infinitely elastic with respect to the hours of work *per employee* and to all other aspects of the hours of work schedules of employees (such as the timing of the hours during the day or week and the like).

Given this assumption about employers' preferences regarding the hours of work schedules of their employees, the equilibrium market real wage rate must be the same for all employers. In particular there will be no "equalizing" real wage rate differentials compensating for the non-pecuniary disadvantages of the hours of work schedules provided by some employers relative to those provided by others, for, indeed, there will be no such non-pecuniary advantages or disadvantages.

For explaining the global facts on the long-run trend of hours of labor in this country (and for understanding many of the cross-section differentials in hours of work as well), it would only complicate the theory, I believe, without substantial gain in interpreting the data, to bring into the theory employer demand schedules for hours of work per employee that are not infinitely elastic.

There are some observed phenomena, however, that cannot be explained with so simple a theory: premium rates for overtime, for night work, and for work on Sundays and holidays, for example. Suppose, therefore, that employers do have preferences, even strong ones, for some hours of work schedules for their employees over other schedules and that therefore they are prepared to offer higher wage rates (premium rates) per hour to employees to induce them to conform to the preferred schedules. Nevertheless it may still be true that these employer preferences will not produce equalizing wage rate differentials. Significant equalizing differentials will appear only if in their absence the number of workers supplying their labor services to employers in particular hours of work schedule categories were not equal to the number demanded by employers for these categories at the going real wage rate.

The crucial test of the importance of employers' preferences in the analysis of hours of work per head data is in the size of equalizing premium rates for hours of work schedules less preferred by employees and in the proportion of the labor force working at these rates. I submit that on this test employers' preferences have played only a minor role in the long-run trend of hours of work in this

country. It is probably true that a larger proportion of the total man-hours worked per year in the U. S. is now paid at premium rates than in 1900, though it is questionable that the proportion would be substantially higher than in 1900 in the absence of such legislation as the Fair Labor Standards Act.<sup>3</sup> The main fact, however, is clear: the fraction of total man-hours that is worked at premium rates is relatively small.

Let me summarize the preceding discussion in the language of a supply-demand model: On the supply side there is a stable, negatively inclined long-run schedule relating average hours of work per head to the average real wage rate. On the demand side there is, to a first approximation, an infinitely elastic schedule involving the same variables. With the long-run growth of the economy, the demand schedule has moved upward along the real wage rate axis tracing out the observed hours of work-real wage rate points on the stable long-run supply schedule (except during periods of substantial unemployment or effective legislation affecting hours of work per head when the points are off the supply schedule).

The explanation most commonly given for the "shorter work week," particularly by laymen, is legislation imposing on employers absolute maxima on hours of work schedules (chiefly for women and children) or penalty rates for overtime per day or per week. It is certainly consistent with the approach that I have taken in this paper that drastic legislation could reduce hours of work drastically, particularly in the short run.

I will be very surprised to find that the historical data contain convincing evidence, however, that hours legislation prior to the Fair Labor Standards Act did more than create slight downward bumps in the long-run trend in average hours worked per person for the economy as a whole. Legislation in particular areas, such as the Adamson Act for the railroad industry, was undoubtedly effective in some instances in reducing hours of work per head by amounts somewhat greater than can be explained by the long-run rise of real wages, but all of the earlier legislation taken together surely covered

<sup>3</sup> I suspect that the term *penalty* rate is at least as accurate descriptively for the last decade and a half as the term *premium* rate: employers pay these rates in significant part not to recruit workers reluctant to work longer hours without a special price incentive, but because the public and, perhaps, to some extent unions have sought to restrain workers from working as many hours as they would like and employers would offer them at prevailing wage rates, in order to ration employment generally or particular attractive union employment opportunities.

effectively at any one time only a relatively small fraction of the adult population.

The Fair Labor Standards Act, on the other hand, has covered approximately two-fifths of the labor force, including almost all wage and salary workers in the manufacturing, mining, communications, and public utilities industries, and more than half of the employees in wholesale trade and finance, insurance, and real estate. Furthermore, three rather crude pieces of evidence make me suspect that careful study of the wages and hours data will show that in the industries covered by the Act it has had significant effects particularly during the 1940's. First, the drop in average hours worked per man-week from 1929 to 1942 in manufacturing industries appears to have been at an unusually large rate compared to the average rate for the first three decades of the century, though the period 1929 to 1942 was certainly not one to brighten long-run wage rate prospects of wage earners. The drop from 1929 (48 hours per week) to 1942 (42 hours per week) was at the rate of approximately 4.5 hours or 10 percent per decade; the drop from 1900 (55 to 60 hours per week) to 1929 was at the rate of approximately 2.5 to 4 hours or 5 to 7.5 percent per decade.<sup>4</sup>

Second, the decline in average hours worked per week per employee in manufacturing industries from 1942 to 1955 (38 hours per week<sup>5</sup>) was at the rate of 3 hours or 7.5 percent per decade, lower than for 1929 to 1942, though the period was marked in general by high levels of employment and a substantial increase in real wage rates. Furthermore, Table I below shows that the decline in hours per week during this period tended to be smaller for manufacturing and

<sup>4</sup> 1942 was the first year after the Act was passed in which the lowness of average hours worked per week cannot easily be attributed to substantial unemployment rather than effectiveness of the Act. Indeed, by 1942 the unusually high level of demand for labor during World War II may already have pushed hours of work somewhat beyond the level they would have had in peace time. Furthermore, the Bureau of Labor Statistics figures for average hours per week per head in the last decade and a half probably overestimate average hours (on a basis comparable to 1929) because the B. L. S. figures are for hours "paid for" rather than for hours worked. For these reasons I have reduced the B. L. S. figure for 1942 from 42.9 to 42.0.

The data on actual hours worked per week in manufacturing industries before the 1930's are of uncertain quality. The figure I have used for 1929 is that of the National Industrial Conference Board covering 25 manufacturing industries. Most estimates for 1900 are between 55 and 60.

<sup>5</sup> The B. L. S. figure for average hours worked per week in manufacturing for 1955 was 40.7. I have reduced this to 38 because of the inclusion in the B. L. S. figure of approximately two to three hours "paid for" that in 1929 would not have been paid for and thus not counted as hours worked.

other industries covered by the Act, than for industries largely uncovered by the Act.

Third, the sample surveys of the labor force made monthly by the Bureau of the Census, reported in the *Current Population Reports*, consistently have shown that a very high proportion of the labor force employed in manufacturing industries work 40 hours a week, neither more nor less; in other industries the concentration at 40 hours per week generally has been substantially smaller.

What about the effects of unions on hours of work? We need to distinguish here between their effects on the hours of work of the employees they represent in collective bargaining and their effects on hours generally in the economy. I am firmly convinced that some unions in the United States, though by no means all of them, have

TABLE I  
*Average Hours of Work per Week per Employed Person  
by Industry—1942 and 1955*

Industry	Average Hours of Work per Week per Employee		Change from 1942 to 1955	
	1942	1955	Hours	Percent
<b>A. Largely covered by Fair Labor Standards Act</b>				
Manufacturing.....	42.9	40.7	-2.2	-5.1
Metal mining.....	43.6	42.2	-1.4	-3.2
Petroleum and natural gas*	42.6*	40.6	-2.0*	-4.7*
Telephone*	41.9*	39.6	-2.3*	-5.5*
Wholesale trade*	42.2*	40.6	-1.6*	-3.8*
Electric utilities*	41.6*	41.2	-0.4*	-1.0*
<b>B. Largely uncovered by Act</b>				
Class I railroads.....	46.9	41.9	-5.0	-10.7
Local railways and buses.....	48.0	43.1	-4.9	-10.2
Retail trade.....	41.6	39.0	-2.6	-6.3
Hotels, year-round.....	45.3	41.5	-3.8	-8.4
Laundries.....	43.3	40.3	-3.0	-6.9
Cleaning and dyeing.....	43.4	39.5	-3.9	-9.0
Non-metallic mining and quarrying*	46.0*	44.5	-1.5*	-3.3*
Building construction*	38.4*	36.1	-2.3*	-6.0*
Agriculture.....	55.5	46.5	-9.0	-16.2

Sources and explanations: For all industries except agriculture the data are those of the Bureau of Labor Statistics (1942 and 1943 data from the *Handbook of Labor Statistics*, 1947 edition; 1955 data from the *Monthly Labor Review*, October 1956.) All of the B. L. S. data for the period covered in the table, and particularly those for 1955, overestimate hours of work because of their inclusion of "time paid for but not worked." If the B. L. S. data were corrected for this error, the changes from 1942 to 1955 would be made somewhat larger than shown in the table. Although the corrections would differ from industry to industry, it seems unlikely that they would be substantially larger on the average for "covered" industries than for "uncovered."

The 1942 figure for agriculture is from the Bureau of the Census *Labor Force Bulletin*, No. 6; the 1955 figure is from the *Current Population Reports*, Series P-50, No. 67 and is adjusted to include employed persons with a job but not at work.

\* For these industries the figure in the "1942" column is that for 1943 because inspection of the data indicated that the 1942 figure might still be low because of incomplete recovery from the Depression. Notice that these industries predominantly are in the "covered" category.

won for their members real wages significantly higher than these employees otherwise would have received. However, even the strongest of these unions surely have won real wage increases that total at most only a small fraction of the general rise in real wages in the United States in the last half century.

These union-won wage increases like the much larger long-run general wage increases will tend to reduce the hours supplied per union member. Furthermore, some unions among the strong ones may reduce hours per head to an even greater extent in order to ration relatively attractive unionized employment opportunities among workers. For both of these reasons I expect that the data will show that some differences in hour of work among industries and occupations are attributable to unionism.

The economic role of unions in the long-run decline of average hours worked per head in the economy as a whole, on the other hand, is surely a minor one. It is not necessary to argue that the union-won wage increases have been at the expense of non-union labor, but only that unions at all times in the last half century have represented a minority of the labor force, until recently a quite small minority, and that even the strongest unions have won wage increases that are relatively small compared to the general rise in real wages.

I close this brief survey of the factors bearing upon the long-run decline in hours of work per head with a short consideration of the income tax. By lowering the relative price of leisure (the real wage rate after tax) the income tax tends to produce a substitution effect: reduced hours per head. It is not so clear that the tax tends also to produce the income effects that we associate with a long-run decline in real wages (say by moving backward in our history). This would be true if the government were to spend the tax receipts buying goods to be "dumped in the ocean."

On the other hand, if the tax receipts were used to command resources to produce much wanted services for the community, then to a first approximation there will be no income effect for the community as a whole, but only a substitution effect. In this case the tax will cause hours worked per head to be lower at the real wage *before* tax than otherwise would be true.

It follows that if the truth is somewhere in between, say half of the tax receipts are wasted, the hours of work supplied per head will be lower than otherwise would be expected at the real wage rate *less*

*half of the tax.* Only in the first case in which the tax receipts are used entirely to waste resources will the income and substitution effects of the tax have approximately the ratio they have in the long-run growth of the economy. In all other cases the substitution effect will be disproportionately important and thus the tax will tend to bend the trend of hours of work downward.

Until the last decade and a half the income tax surely must have had only small effects on the long-run movement of hours of work per head. In the last fifteen years, however, the income tax has risen to a level at which it may very well be producing substitution effects accelerating the secular decline of hours of work.

Thus far my comments have dealt mainly with the long-run decline in the over-all fraction of an average worker's lifetime devoted to market activities. I turn now to some aspects of the "form" of this decline.

First, let us go back to the theory of the individual worker's demand for leisure. He has to determine not only the fraction of his life that he will devote to leisure activities but also the distribution of his consumption of leisure over his lifetime. Because of the phenomena of aging and of learning by experience, the marginal cost of leisure will tend to vary from one age to another. In particular, it is characteristic of persons in almost all pursuits that, if they live long enough, they will reach an age after which the productivity increasing effects of experience are more than offset by the productivity decreasing effects of growing old. Thus the marginal cost of leisure will tend to be relatively low in old age.

Two other factors also work to make the real marginal cost of leisure relatively low in old age. One is the interest rate. The other, important only in recent years, is the Federal Old Age Insurance program. This program from the beginning has contained in one form or another an "earnings test" under which insurance benefits are a negatively inclined function of income earned during benefit years. The earnings test tends to make the real marginal cost of leisure time less than the real wage rate per hour.

The rising long-run trend of the real wage rate in the United States is a factor working in the opposite direction partially offsetting the interest rate factor.

Now assume that leisure time is a commodity for which workers have no time preference.<sup>6</sup> Then if the marginal cost of present leisure

<sup>6</sup> By "no time preference" I do not mean a constant rather than a diminishing marginal rate of substitution of present for future leisure, but that the marginal rate of substitution is unity at a rate of consumption of present leisure equal to that for future leisure.

in terms of future leisure were unity, the individual worker would plan to consume his leisure at a constant rate over his lifetime. We observe, however, that the marginal cost of leisure tends to be relatively low in old age—the marginal cost of present (in youth) leisure in terms of future (in old age) leisure tends to be greater than unity. Under these circumstances the worker will plan to distribute his consumption of leisure disproportionately toward his old age.

Available data indicate that the disproportionately high rate of consumption of leisure time in old age shows itself mainly in retirement from the labor force. Thus the long-run decline in “hours of work” will be registered in part in a decline in labor force participation. This expectation is confirmed by Census data which show a decline of approximately eight to ten percent since 1900 in the proportion of the United States adult male population in the labor force (or if not in the labor force, in school).

It is apparent that future leisure is not a perfect substitute for present leisure, for if that were true, then on the preceding line of reasoning the shorter work week would have taken *only* the form of reduced labor force participation. In fact, of course, the work “week” has fallen also for those in the labor force and this decline has taken several forms. I turn now to examine this variety.

First, why is it that for the great majority of adult males the working hours tend to be bunched rather than spread out over the “waking” hours of the day? That “mixing business and pleasure tends to spoil both” goes far toward explaining the phenomenon. It is apparent, however, that mixing the two does not completely spoil both, for a good many factory workers do have rest periods, office workers coffee breaks, and business managers and professional workers their long lunch “hour.” Casual observation indicates, indeed, that there is more mixing of pleasure with business among salaried workers and the self-employed who do not work on a fixed schedule of hours than among hourly-rated “factory” workers who “punch a time clock.” This can be rationalized as the result of the higher cost of mixing leisure with work for those whose work activities are highly complementary than for those whose working hours need not be meshed closely with those of fellow workers.

The preceding line of reasoning does not explain, however, why males consume leisure time in larger proportion “at home” than “at work.” Hence assume not only that leisure time is not homogeneous by place of consumption, but also that “at home” leisure is preferred



to "at work" leisure.<sup>7</sup> The mixing of "at home" leisure with "at work" work, moreover, will tend to be expensive for most workers because of the travel involved. Thus both the tendency to mix little leisure with work and the tendency to consume leisure at home can be explained as the result of the preference for "at home" leisure over "at work" leisure and the minimizing of the travel costs involved in consuming leisure away from one's place of work.

Furthermore, there are likely to be differences among workers in their relative preferences for "at home" leisure over "at work" leisure that will be correlated with the facilities offered in work places for the consumption of leisure. Thus is it really surprising that professors, for example, tend to consume more leisure time in their university surroundings than factory and mine workers do in factories and mines?

Both of the alternate hypotheses advanced to explain the "bunching" of hours of work during the day imply that the relative costs of any considerable mixing of pleasure and business during the day are high and the returns in satisfaction relatively low, particularly for "factory and mine" workers. This implication is supported by the long-run trend data which indicate that the fraction of the increased consumption of leisure per head since 1900 taken in the form of rest periods, coffee breaks, and the like has been small, probably no larger than five percent.

The preference for "at home" leisure over "at work" leisure together with the minimizing of the costs of travel and of travel time has another implication: that the reduction in hours of work per head since 1900 would have come about through reducing the number of days worked per year rather than the number of hours worked per day. In fact, however, about half of the reduction came from reduced hours per day. These long-run data suggest that individuals not only are not indifferent between non-consecutive and consecutive leisure time—between 14 hours of leisure distributed equally over the days of the week and 14 hours allotted to a single day, but also that there may be a slight preference for the former over the latter. That this preference is slight is indicated by: (1) about half of the reduction in hours of work per head did come about through fewer days per year; (2) the "non-working" days of the week are consecutive (Sat-

<sup>7</sup> I mean by lack of *homogeneity* among two kinds of leisure, that there is a diminishing rather than constant marginal rate of substitution of one for the other. A *preference* for one kind of leisure over another means that at equal rates of consumption of the two the rate at which one is substituted for the other is less than one unit of the more preferred to one unit of the less preferred.

urday and Sunday <sup>8</sup>); and (3) vacations of two weeks or more are now quite common.

The shortening of the work week thus has come about in a variety of ways: a smaller fraction of lifetime years in the labor force; more holidays not worked; longer vacations; fewer working days in the week;<sup>9</sup> shorter working days; and to a minor extent, more frequent rest periods during the working hours. The relative cost and taste factors that underlie the division of workers' leisure over their lifetimes, I believe, tend to be quite stable. Thus I hazard the prediction that in the next half century the proportions in which increased consumption of leisure per head is divided among these forms will differ fairly little from the proportions observed in the last fifty years.

<sup>8</sup> That Sundays and holidays are preferred over other days for the consumption of leisure is confirmed by the premium rates commonly paid for work on these days and the relatively small fraction of the labor force that does work on these days. The same kind of evidence confirms the preference for day work over night work. If workers actually preferred to work at night, employers would not have to pay night shift premiums.

<sup>9</sup> Notice in this connection that the alternatives are not simply, for example, five days *vs.* four days. A four and three-quarter day "week" for example can be obtained by having a four day week, say, every fourth week and five-day weeks the rest of the time. It is very clear, indeed, that additional "holidays" are a means of reducing the number of "days per week" in a gradual fashion without resort to "half-days" of work.

# THE COST OF A SHORTER WORK WEEK

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## I

ONE OF THE PRINCIPAL BENEFITS of the huge increase in man-hour productivity that has occurred during the last century is a great reduction in the hours of toil, both per day and per week. In itself, leisure is generally considered a boon; other things equal, the more one has, the better. Though some might disagree with this judgment, I doubt that there will be serious dispute if we accept it without debate. This paper assumes that the only possible objection to a further reduction in the work week is its cost in foregone output and, from the worker's viewpoint, in sacrificed earnings.

The wisdom of reducing the work week depends largely upon the wishes of those affected. If the workers concerned wish to relinquish part of their potential weekly earnings in order to have more leisure, it would be wise for them to press their employers to accept a shorter work week. However, much of the current argument in support of a shorter work week stresses the need for preventing unemployment rather than the desirability of more leisure. And this argument for a shorter work week is unsound: (a) if the workers are willing (irrespective of fear of unemployment) to sacrifice earnings for leisure, it is redundant and (b) if they are not willing, then the shorter work week imposes an unnecessary loss of earnings because there are less costly ways of creating jobs than reducing the work week.

It is necessary, therefore, at the outset of the discussion to distinguish sharply between two cases: (1) where the workers involved wish to sacrifice potential gains in weekly earnings in order to obtain more leisure and (2) where they accept a shorter work week only in order to create new jobs or to save old ones.<sup>1</sup> I do not pretend to any special insight into whether any particular group of American workers "really" wants shorter hours in preference to higher weekly earnings. However, a number of union officials have expressed the opinion that workers in their unions would prefer to continue their present work week rather than sacrifice earnings. As John L. Lewis recently put it: "It has been the thought . . . that the preponderance of

<sup>1</sup> There are intermediate possibilities; these are discussed in Section III.

our membership prefer to have more to eat for their families rather than having two hours' less work a day. Any time the organization as a whole wants to stop eating so much and loaf a little more, we can get a six-hour day for you."<sup>2</sup>

It is not only among the miners that (at least some) workers have indicated a desire for more income rather than extra leisure. Among the members of the United Rubber Workers it was found that a substantial number preferred an eight-hour, five-day week to the six-hour, six-day week which was (until recently) standard in a number of plants.<sup>3</sup> Furthermore, it is estimated that 10% of the six-hour, six-day workers have used their "leisure" to obtain full-time second jobs, and that an additional 30%-40% were engaged in a variety of part-time occupations.<sup>4</sup> George Brooks (Research Director of the International Brotherhood of Pulp, Sulphite and Paper Mill Workers) believes very strongly that (most) workers want more income rather than less work. He says:

"Aside from the workers' desire for their paid holidays and paid vacations there is no evidence in recent experience that workers want shorter *daily* or *weekly* hours. The evidence is all on the other side. Hundreds of local and International officials have testified that the most numerous and persistent grievances are disputes over the sharing of overtime work. The issue usually is not that someone has been made to work, but that he has been deprived of a chance to make overtime pay. Workers are eager to increase their income, not to work fewer hours."<sup>5</sup>

Perhaps these remarks go too far, but it would seem wise for any union carefully to consult its members' preferences as between higher weekly earnings and more leisure before irrevocably committing itself to demanding a shorter work week.

Of course, leisure may be increased in other ways, as well as by reducing the standard work week. Some of these ways: e.g., advancing the retirement age; lengthening vacations; giving "sabbatical

<sup>2</sup> As quoted in *Business Week*, October 20, 1956, p. 106.

<sup>3</sup> See W. L. Ginsburg and R. Bergman, "Worker Attitudes Toward Shorter Hours," a paper read (Sept. 11, 1956) to the AFL-CIO Conference on Shorter Hours of Work. It is worth noting that early this year the six-hour, six-day week was abandoned in the rubber industry; see *Business Week*, April 21, 1956, pp. 45-6.

<sup>4</sup> Ginsburg and Bergman, *op. cit.*, p. 4.

<sup>5</sup> George Brooks, "The History of Organized Labor's Drive for Shorter Hours of Work," a paper read (Sept. 11, 1956) to the AFL-CIO Conference on Shorter Hours of Work, p. 19.

year" leaves, etc. may well be preferred to shortening the work week. However, space does not permit us to investigate the optimum distribution of leisure throughout a worker's lifetime; for the purposes of this paper we shall assume that the extra leisure which a worker must compare with extra income is presented in the most desirable form. However, there is a real question as to the time pattern that extra leisure, if any, should take.<sup>6</sup>

It will be assumed throughout the paper that decreasing average weekly hours involves *some* reduction in *weekly* output; if this is not the case there is no economic problem to discuss.<sup>7</sup> It is not necessary for us to speculate upon the effect of a reduced work week upon *hourly* productivity. It is well known that, when the work week is 48 hours or more, reducing it is likely to affect man-hour productivity favorably by lessening worker fatigue and absenteeism.<sup>8</sup> This effect may also be present when the work week is 40 hours or less; however, it would seem reasonable to suppose that this effect would be the smaller, the shorter the initial work week.

The reader will note that we are assuming, by implication, that the distribution of an individual's time between work and leisure is determined by a group decision. That is, we are assuming that it is the union—via collective bargaining—or the community (through legislation) that determines how much work per week an individual shall perform. This assumption is, for the most part, realistic; that is, most job opportunities involve accepting the firm's work week and there is a heavy concentration of "standard" work weeks around 40 hours. However, to a limited extent, by taking more than one job, or by carefully selecting his job, working overtime, etc., an individual can effectively choose an unusual work week. Without going into

<sup>6</sup> On this point the reader should consult Clark Kerr's Discussion on "The Shortening Work Week," Proceedings, American Economic Review, May 1956, pp. 218-23. Also see Peter Henle, "Which Way to Greater Leisure," a paper read (Sept. 11, 1956) to the AFL-CIO Conference on Shorter Hours of Work.

<sup>7</sup> *I.e.*, reducing the average work week would involve no sacrifice of output. Few economists would assert that this is likely to happen as a result of *further* reductions in the average work week, whatever may have happened in the past. For example, see the report of the International Labor Office, "Repercussions of a Reduction in Hours of Work," *International Labor Review*, vol. LXXIV, No. 1, July 1956, pp. 23-45, especially pp. 27-33. However, both Solomon Barkin and N. N. Foote express some doubts on this point. (Papers and Proceedings of the 68th Annual Meeting of the American Economic Association, 1955, American Economic Review, May 1956, pp. 222-26.)

<sup>8</sup> See "Hours of Work and Output," Bulletin No. 917, Bureau of Labor Statistics, 1947. Also, "Repercussions of a Reduction in Hours of Work," *op. cit.* The latter reference has a good bibliography of the relevant literature in note 1, p. 27.

the issue in any detail, I should like to observe that insofar as practical, opportunity for exercising individual choice of work week length should be enhanced.

## II

In this section we shall analyze the effects of a shorter work week upon the wage rate paid and the labor quantity demanded by a single employer. Let us begin by considering an hypothetical employer whose productive technique and capital stock is such that the relation between his weekly output rate and the number of *man-hours* of labor he hires (per week) is not affected either by the number of *persons* employed and/or by the distribution of hours of employment throughout the week. Assuming for the moment that all man-hours of labor are homogeneous and that they all cost the same (*i.e.*, no overtime rates are paid) the unit costs of such an employer will be independent of the length of the work week and, given demand conditions, so will his profits. Therefore (abstracting from his possible concern with non-profit objectives) such an employer would be indifferent as to the length of the work week, and a union dealing with him could obtain any length work week it desired without sacrificing much, if any,<sup>9</sup> benefits it would otherwise be able to obtain.<sup>10</sup>

This would seem to be the type of situation envisaged by proponents of the shorter work week as a remedy for unemployment. That is, they imagine it to be virtually costless (to the employer) to divide a given number of man-hours of employment among a large number of workers, by reducing the work week. But it is not easy to guess how often the productive setup requisite to this result will be found. Furthermore, shortening the standard work week would probably lead to an increased percentage of total hours that must be paid for at overtime rates (see below), which would have the effect of raising at least some sections of a firm's cost function, even if there were no increase in man-hour input per unit of output. This will have certain repercussions upon an employer's prospective profits and,

<sup>9</sup> It is tempting to be very definite, and assert that no other benefits need be sacrificed (under the assumed conditions) in order to obtain a shorter work week. However, it is necessary to allow for the possible influence of bargaining tactics; e.g., employers may utilize a well-known eagerness of unions to obtain shorter hours to drive a better bargain *on wages* than would otherwise be possible.

<sup>10</sup> The work week a union will demand will depend upon the number of *persons* it wants to share in the man-hours of employment the firm offers. If it were concerned with saving the jobs of [some of] its members, which it believed were in danger, it would tend to demand a shorter work week than otherwise.

therefore, upon his bargaining position and upon the resulting contract.

Suppose, for concreteness, that the union demands that the (standard) work week be decreased from 40 to 35 hours, and that premium wage rates be paid for all hours in excess of 35. Let us also suppose that the employer would be prepared to grant some increase in the straight-time hourly rate if the work week had remain unchanged and that, apart from overtime premia, the unit labor cost of producing a given level of output is independent of the work week. Under these conditions the employer's reaction to a demand for a shorter work week will vary with his expectation of the actual length of the average work week during the life of the contract. If he expects that his plant will never operate more than 35 hours per week,<sup>11</sup> then he will not be concerned about the overtime pay. But if he thinks there is some likelihood that the plant will operate (at least) part of the time for more than 35 hours per week, he will expect that, *cet. par.*, his total profits over the lifetime of the contract will be less than if overtime began with the 41st weekly hour.

Now, let us suppose that if the work week had remained unchanged, the union would have secured the highest (straight-time) hourly rate obtainable without a strike (or a longer strike).<sup>12</sup> Then the effect of any reduction in expected profits resulting from shifting hours from straight-time to overtime rates, will be to make the employer insist upon a lower straight-time rate in order to offset this reduction. Failure to obtain this will, *ex hypothesi*, lead him to withstand a longer strike than otherwise. In other words, reducing the standard work week, and insisting on premium pay for all overtime hours, will <sup>13</sup> force unions either to accept lower straight-time hourly

<sup>11</sup> And is "sure of it," so that he is not averse to assuming the risk that it *might* do so.

<sup>12</sup> This assumption is useful, and often realistic. However, it should be recognized as restrictive. It implies that the union is maximizing the straight-time hourly wage rate of its members; other contract terms or conflicting union objectives are ignored. In some cases, this abstraction will be completely unacceptable, and other assumptions will be required, implying different conclusions. But whenever we reject the above assumption, it will be necessary to replace it with another—equally specific—if economic analysis is to be conducted at all.

It should be noted that it is not implied that none of the cost of a shorter work week will be borne by the employer, but only that the union will have to incur extra strike costs in order to shift any of the burden. It is also assumed, implicitly, that the extra benefits derived by union members from a strike—or from a more prolonged one—would be less than the additional cost incurred by them.

<sup>13</sup> Except where no overtime work is expected to be done.

rates than would otherwise be obtainable<sup>14</sup> and/or to wage longer strikes.

This does not imply that *average hourly earnings* will necessarily fall if the work week is reduced; whether they do will depend upon the amount of overtime worked and upon the amount of the hourly overtime premium. In fact, it is quite possible that a rational employer would be willing to offer higher expected average hourly earnings in exchange for a lower straight-time hourly rate and a shorter standard work week. For example, an employer may need a relatively long work week only when demand for output is strong and profits high. If such an employer desires to accept lower expected<sup>15</sup> profits in exchange for a smaller dispersion of prospective profits,<sup>16</sup> he can do so (provided the union is willing) by paying his workers a larger share of net sales when output and profits are high, than when they are low. One way of accomplishing this is to offer workers a lower straight-time rate and a shorter work week (so that overtime rates become effective at a lower level of output) such that the expected average hourly pay rate will be higher than otherwise.<sup>17</sup>

Weekly earnings will, of course, vary not only with average hourly earnings but also with weekly hours; i.e., with the amount of overtime worked. It might be mentioned here that our argument does not have any direct bearing upon the demands of some unions for a shorter work week with no reduction in weekly earnings. Such a demand, if granted, would entail a sacrifice of hourly and weekly wage increases that *could have been obtained if the work week had not been reduced*, but whether reducing the work week will require a reduction in current weekly earnings will depend upon the percentage reduction in the work week sought as compared with the hourly wage increase obtainable.

Now let us consider the effect of reducing the standard work week on employment, assuming that (1) overtime hours are paid for

<sup>14</sup> It is to be emphasized that it is *not* alleged that shorter hours imply reduced straight-time hourly wages. It is contended only that reducing straight-time weekly hours will make straight-time hourly wages *less than they otherwise would have been*.

<sup>15</sup> Expected here refers to the "mathematical expectation" or arithmetic mean of the probability distribution of profits as foreseen by the employer.

<sup>16</sup> As estimated by both the union and the employer in agreeing to a contract.

<sup>17</sup> In Great Britain, extensive use of overtime premia has become a common method of increasing average hourly earnings. See H. A. Turner, "Wages: Industry Rates, Workplace Rates and the Wage Drift," *Manchester School*, May, 1956, pp. 95-123, especially pp. 113-114.



at premium rates; (2) that the firm in question cannot profitably hire additional workers, and (3) the workers are homogeneous. Consider figure 1, in which man-hours of labor are measured on the horizontal axis and dollars on the vertical. The marginal value product, MVP, is the short period demand curve for labor.<sup>18</sup>  $W_1$  is the straight-time hourly rate, and OL is the maximum number of man-hours the firm can hire at the straight-time rate if the standard work week is  $S_1$ <sup>19</sup> (OL is also the equilibrium number of man-hours hired; if the firm wished to hire additional man-hours, it would have to pay for them at the overtime rate of  $W_3$ .) Suppose now that the standard work week is reduced to  $S_2$  ( $S_2/S_1 = \frac{OM}{OL}$ ); then OM hours will be hired at the straight-time rate  $W_1$  and MP at the overtime rate  $W_3$ . Employment in man-hours will be less than when the standard work week is OL, but average hourly earnings are greater and weekly earnings will be greater or less, depending upon whether NLPQ is less or greater than RQST. However, the number of *persons* employed will be the same in both cases.

But this supposes that the firm cannot, or is reluctant to, hire additional persons. This is often the case, but (obviously) it is not always so.<sup>20</sup> Suppose the number of workers available to the firm is more than it is presently using so that with the standard work week  $S_1$ , it can secure OK (more than OL) man-hours at the

<sup>18</sup> The locus of MVP is independent of the size of the overtime premium. However, MVP is not a labor demand curve where the firm is not covering average prime costs. As the amount of the overtime wage premium will, in principle, alter the range of outputs (and hence labor inputs) over which average prime costs will not be covered, it will therefore alter the range of labor inputs for which MVP is the labor demand curve. However, this difficulty is not important for the problem at hand.

<sup>19</sup> OL divided by the number of hours in the standard work week is equal to the number of persons employed by the firm. It is assumed, at this stage of the argument, that the firm cannot hire more [or it is not practical for it to do so] than the number of *workers* corresponding to OL.

<sup>20</sup> A firm's decision as to whether to hire additional workers or to offer its present employees overtime work depends upon a number of factors. The longer the period necessary to train new workers and/or the higher the wage premium for properly trained workers, the greater the temptation to offer overtime work to present workers. Conversely, the greater the premium on overtime work, the more likely an employer is (*cet. par.*) to prefer additional workers. Administrative costs of adding, and separating, workers to the payroll discourage the hiring of additional workers.

If plant is not currently used up to capacity on the present shifts, adding new workers will be (*cet. par.*) less costly, than if the new workers must be used on a new shift. Extra shifts are especially costly, if the desired addition in total weekly man-hours is only a relatively small fraction (say less than  $\frac{1}{3}$ ) of the amount currently used; in such cases—especially if workers must be hired on a full-week basis—it may be less costly to operate on Saturdays and Sundays (and pay overtime rates) than to add a second shift.

wage  $W_1$ . Then reducing the work week to  $S_2$  will not affect the number of man-hours hired, but the number of persons hired will increase in the ratio of  $LM$  to  $OM$ .<sup>21</sup> If the employment of additional persons requires the use of an extra shift, and shift differentials are required, then the effect of shortening the work week to  $S_2$  will be to raise the wage rate to  $W_2$ , and reduce man-hours hired from  $OL$  to  $OF$ .

In this section, our argument has assumed that the MVP curve is not affected by the length of the work week. Where this assumption is inappropriate (e.g., because of variations in worker efficiency

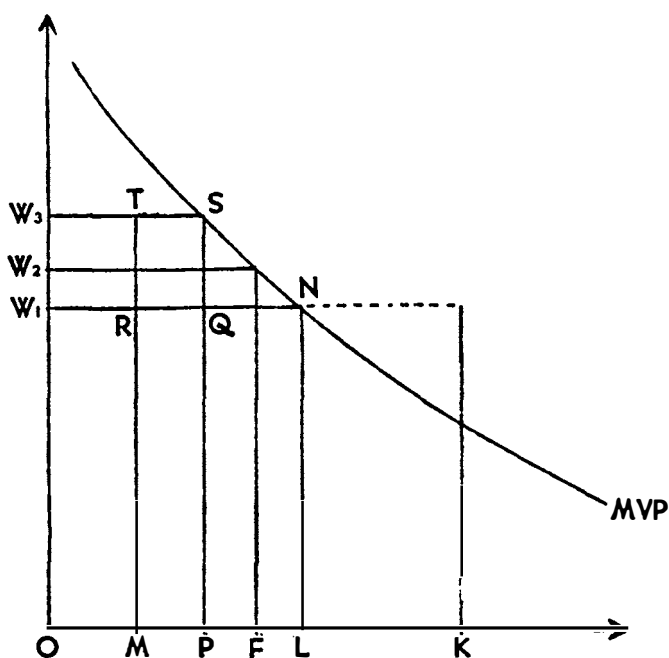


FIGURE 1

concomitant with changes in the work week) our conclusion will obviously depend upon the nature of the shifts in MVP. The reader can easily work out these cases for himself.

To summarize: a reduction in the length of the work week (given the straight-time hourly wage) will not affect the *man-hours* of employment offered by a given firm if (1) additional man-hours are

<sup>21</sup>  $LM$  must not be less than  $OM$ .

available (in sufficient quantity) at the existing straight-time hourly wage rate and (2) the firm's MVP curve remains unchanged. (1) will be violated if extra workers must be paid shift-premia or higher straight-time wages and (2) will not hold if an extra shift (on which workers are more costly or less efficient) must be established or if worker efficiency is greatly affected by reducing the work week. If reducing the work week should reduce the the number of hours that a firm can hire at straight-time rates, and additional hours must be paid overtime premia, then man-hours of employment will be reduced unless MVP shifts. However, reducing the work week tends to increase the number of *persons* among whom a given number of man-hours of employment are spread. I suspect that this effect will, in most cases, outweigh the effect on man-hours, so that reducing the work week will usually make the number of *persons* employed (by a given firm) greater than otherwise, whatever it does to the number of hours.

### III

In a previous section we discussed the effect of a reduced work week upon the workers of a single firm. Obviously, we cannot stop there. For the pros and cons of work week reduction turn, to a **great** extent, upon the difficulty of securing new jobs for dismissed workers. *If* all dismissed workers could get new jobs immediately, and these jobs—and their weekly pay—were as good or better than those that had been lost, the only possible argument for reducing the work week would be the desire for added leisure. But this argument involves a very big “if.”

Certainly, men of good will and judgment differ as to the employment outlook over the middle to long-term future. And, whatever our individual guesses, it is possible that there could be an excess supply of labor either for the economy as a whole, or for important sectors of it, for a painfully long period. This being the case, one cannot deny the right of unions to take steps to protect their members from its consequences; one of these steps is to reduce the work week. However, reducing the work week is likely to prove a very expensive form of job insurance in that potential output is sacrificed as its social premium.

Were a shortened work week the only alternative to technological

unemployment, the case for it would be a good deal better than it is, for there are a number of ways of coping with unemployment that are superior to reducing the work week. Indeed, failing all else, we may utilize government expenditure programs tailored to meet specific unemployment problems where and when they arise. This is not to advocate reliance upon such programs, but only to point out that a sizeable reservoir of unemployed labor in any given area can be used in producing useful public goods and services. (Of course, it is possible that extra leisure is worth more than the output of "quasi make work" projects; however, this removes the argument for the shorter work week to another plane, on which it will be discussed below.)

Furthermore, given a tolerably successful monetary-fiscal policy, the general level of employment (at any given standard work week) can be maintained at close to "full," so that unemployment in one sector will be more or less matched by labor shortages in another. Under these conditions, unemployed labor should be induced to transfer itself—perhaps with financial assistance from public sources—to where it is needed, instead of being encouraged to coagulate in pools of partial unemployment, disguised by a short work week. However, if attempts to prevent general unemployment fail, shortening the work week to share job opportunities is probably better than nothing. But it is to be emphasized that this is an inferior substitute to useful re-employment of idle labor.

Reducing the work week as a (temporary) response to current unemployment is one thing, but reducing it in anticipation of such unemployment is quite another. For such anticipations are notoriously unreliable, and if we should be faced with inflationary pressure instead of a shortage of effective demand, a shortened work week may prove embarrassing. For reducing the work week also reduces the potential growth rate of output.<sup>22</sup> To be sure, aggregate labor supply is not completely inelastic; an over-all excess demand for labor will lead to the recruitment of new members for the labor force; the use of overtime and the taking of extra jobs by workers on shortened work weeks. But despite this, reducing the work week raises the level of marginal costs at which a given level of output can be produced, given the price level;<sup>23</sup> in other words, reducing the

<sup>22</sup> For estimates of the amount of output sacrificed by reducing the work week, see C. D. Stewart, "The Shortening of the Work Week as a Component of Economic Growth," *Proceedings of the American Economic Association*, American Economic Review, May 1956, pp. 211-17.

<sup>23</sup> I.e., the "real" supply price of a given level of output is raised.

work week will raise the price level, given the level of other factor prices, the capital stock and productive technique.

As indicated, the cost-raising effect of work week reduction would be partially offset<sup>24</sup> by the tendency of new workers to enter the labor force, which results partly from increased job opportunities and partly from the (presumed) check to the earnings of the principal worker in the family. Thus, in effect, the reduction of the work week of a family's primary earner will lead to an indirect replacement of his efforts (and earnings) by those of other members of the family.

Furthermore, it is likely that collective bargaining will make most headway in reducing the work week in the relatively high wage industries, where unions are strongest. This will increase employment opportunities there, leading to an acceleration of movement of workers away from low wage industries (in service, agriculture, etc.) to high wage industries. This will tend to equalize wage incomes in various industries which, of itself, is quite desirable. However, it is at least questionable that the advocates of a shorter work week intend that the present union members should reduce their weekly employment and (potential increases in) earnings in order to improve the employment opportunities of others.

#### IV

In the previous section, we argued that there are alternatives superior to a reduced work week as a cure for unemployment. At the level of the individual firm and union, the chief among these is, in our opinion, Dismissal Compensation. If a given union believes that the added leisure its *employed* members gain is worth the weekly earnings they must sacrifice, then it should demand a reduced work week.<sup>25</sup> However, in many cases a union will seek a shorter work week mainly (or solely) to increase, or forestall a feared decrease in, member employment. In such cases, Dismissal Compensation is superior to a reduced work week in the following sense: it would cost a given group of employed workers, A, less—with a given work week—to give (from their earnings) "Full Dismissal Compensation"<sup>26</sup> to a given group of dismissed workers, B, than the sacrifice

<sup>24</sup> However, it is likely that under present conditions in the U. S., the offset would not be complete—especially for skilled workers and unskilled "muscle men"—and supply reduction would tend to raise straight-time hourly wages.

<sup>25</sup> As we have seen, it is not logically necessary that reducing the standard work week will reduce the weekly earnings of employed workers. But if it doesn't, the statement holds *a fortiori*.

<sup>26</sup> By "full dismissal compensation," I mean compensation such that the dismissed workers receive the same money income as they would have obtained had they been retained on the job.

in weekly earnings (by A) through shortening the work week enough to prevent the dismissal of any member of B.<sup>27</sup> To show this, let us assume (1) that the workers bargain only about wages and the length of the work week; (2) the cost of Dismissal Compensation is met by a union levy upon member wages. Assume (3) that the employer's cost function depends only upon the number of man-hours used and not upon the number of *persons* employed;<sup>28</sup> (4) that premium rates are not charged for overtime work, where average weekly hours are less than the initial standard work week and (5) that the workers concerned place no value whatever upon additional leisure.

Under these conditions if a fraction,  $h$ , of the man-hours a firm hires should become redundant, the employer will be indifferent as to whether the number of persons is reduced by  $h$ , with weekly hours constant, or whether the standard number of weekly hours is reduced by  $h$ , with the number of persons employed constant. In either case, the firm's total wage bill will be the same; *i.e.*, it will be  $(1-h)$  times the previous wage bill. Suppose the standard work week is kept constant, and that the dismissed workers receive weekly contributions equal to the weekly earnings of the workers remaining on the job,<sup>29</sup> the funds being contributed by the persons remaining at work. Because of assumption 5, the workers on the job would be no worse off under these conditions, than if their work week had been reduced by  $h$ .

But it would not be necessary for the dismissed workers to receive such large contributions from their fellows, once they have become re-employed. At most they need receive<sup>30</sup> only the difference between their earnings on their new jobs and what their earnings would have been<sup>31</sup> if the work week had been reduced so that they had remained on their previous jobs. Therefore, because dismissed workers will have some earnings, after re-employment, the payments of the retained workers will be less than those that would leave them "no worse off than if their work week had been reduced by  $h$ "; therefore, they will be better off.<sup>32</sup>

In commonsense terms, this means simply that the output and

<sup>27</sup> *I.e.*, to prevent the dismissal of any worker whomsoever.

<sup>28</sup> For simplicity, assume all workers are homogeneous.

<sup>29</sup> These contributions should be so determined that the weekly earnings of an employed worker, after deduction for contributions, *are equal* to the weekly contribution received by a dismissed worker.

<sup>30</sup> In order to satisfy the conditions of "Full Dismissal Compensation."

<sup>31</sup> It is not pretended that this amount could be estimated with any high degree of accuracy.

<sup>32</sup> *I.e.*, have higher weekly incomes.

earnings of a given group of workers is greater if those who are displaced find other jobs, than if all of them make themselves partially unemployed by shortening their work week. The relevance of this argument depends, of course, upon the appropriateness of the assumptions upon which it rests. The most crucial of these assumptions are (2) and (5).<sup>33</sup>

Assumption (2) will often be contrary to fact. For example, if the workers to be dismissed can be selected so that workers of greater than average efficiency are retained, the advantage of Dismissal Compensation over a reduced work week will be increased because the increase in average man-hour productivity will permit greater hourly wage increases than otherwise.<sup>34</sup> But whether this occurs will depend, in any given case, upon employer policy, union rules and the interaction of the two.

Furthermore, if reducing the work week involves technological inefficiency, or forces the payment of overtime premia to some categories of workers, dismissals will tend to make average hourly wages<sup>35</sup> higher than they would have been under a reduced work week. But, on the other hand, it is possible that reducing the work week will (by reducing fatigue, etc.) raise worker productivity and tend to increase hourly wages. Obviously the balance of considerations must be studied separately in each case, and no *a priori* judgments are trustworthy. Nonetheless, I will confess a hunch that these considerations will not often tip the scales in favor of a shorter work week.

The fifth assumption is, of course, crucial to the argument, and probably it is always false to some degree. However, it is not necessary for the argument that it should be literally true. All that is required is that the monetary equivalent<sup>36</sup> of the foregone leisure (to the retained workers) should not be greater than the difference (call it G) in weekly income under Full Dismissal Compensation and under a reduced work week. It is suggested that very often the

<sup>33</sup> Of course, the net advantage (in money terms) of Full Dismissal Compensation can be divided between retained and dismissed workers in any way desired. Our argument is not concerned with this problem of distribution.

<sup>34</sup> However, where this occurs the dismissed workers will probably not be able to earn so much on new jobs as otherwise and this will tend to *increase* the cost of Full Dismissal Compensation.

<sup>35</sup> For the workers who are retained.

<sup>36</sup> *I.e.*, the amount of weekly income necessary to make each worker just willing to work the longer, rather than the shorter work week. This formulation ignores the various pitfalls of applying the "compensation principle" of welfare economics. However, as these difficulties cannot be considered in detail here, I shall simply assert my opinion that they will not cause difficulty to this particular argument.

advantage will lie on the side of Full Dismissal Compensation; however, where  $G$  is relatively small, and the value of extra leisure appreciable, a reduced work week may well be preferred to Full Dismissal Compensation. This means that where new jobs are hard to get, and workers would "really like to work less," the case for a reduced work week is strongest.<sup>37</sup>

I hope that this argument will not lead anyone to suppose that I would suggest the literal adoption of the aforementioned technique of financing compensation to dismissed workers. It is obviously impractical to levy a weekly tax upon retained workers to compensate those dismissed, especially where the amount of the tax varies inversely with the earnings of those dismissed. The moral hazards of such a plan are obvious,<sup>38</sup> and there would be administrative difficulties connected with handling the cases of dismissed workers who secure a succession of temporary jobs rather than one permanent one. In practice, Dismissal Compensation (Full or otherwise) must be paid for in the conventional way by building up a fund for the purpose. And the payments made from the fund must not depend upon the beneficiaries' subsequent earnings, but upon the usual factors such as length of service, past earnings, etc.

The choice between a Shorter Work Week and Dismissal Compensation will depend, in good part, upon whether it is expected that the workers affected will be rehired—and when. In the event of temporary layoffs, reducing the work week is tantamount to work sharing, and some unions feel that this is an appropriate way to equalize the burden of temporary unemployment among the membership. I should not enter any general caveats against such temporary reductions in the work week. However, if unemployment is of prolonged and/or uncertain duration, work-sharing can—and has become—a heavy burden upon all members of the union. If, under these circumstances, some of the members could get alternate employment on favorable terms, the advantage of their doing so (if they are compensated for their lost time and trouble) is clear. The crucial question is whether the workers to be dismissed can secure alternative

<sup>37</sup> The reader will note that in comparing Full Dismissal Compensation and a reduced work week we have ignored the non-pecuniary costs to dismissed workers of the disruption of long-term employment relations with a single firm. These may be of considerable importance and must be taken into account where relevant. Their effect is, of course, to improve the case for reducing the work week.

<sup>38</sup> *I.e.*, the risk that the dismissed workers would not diligently seek employment.



employment on favorable terms, and how long it will take them to get it.

The purpose of the argument of this section is to state in a sharp and simplified form the advantage of Dismissal Compensation relative to a Shorter Work Week. It is important to remember that the weekly earnings foregone by accepting a shorter week frequently are sufficient to finance Full Dismissal Compensation for the dismissed workers. Whether a given union should choose Dismissal Compensation or a Shorter Work Week or some combination of both,<sup>39</sup> depends (as we have seen) upon the re-employment prospects of the dismissed workers and the value placed upon leisure by the "retained" workers.

It is worth noting that either reducing the work week or providing for Dismissal Compensation, to some extent re-distributes income among a union's members. For some members are much more likely to be dismissed than others, and "taxing" them more or less equally to insure against an unequal risk involves income redistribution. However, I doubt that the redistributive effects of Dismissal Compensation would be very different from those of a Shorter Work Week.

<sup>39</sup> Determining the optimum combination of work reduction and provision for dismissal compensation is obviously a difficult practical problem. The only important general statement to be made is that the more highly leisure is valued, the smaller should be the proportion of provision for Dismissal Compensation.

## DISCUSSION

V. W. BLADEN

*University of Toronto*

The important problem, as both writers note, is the distribution of hours between work and leisure over a lifetime: this involves age of retirement, number of holidays, vacations, days per week, hours per day. Now I suggest that the demand for leisure is not homogeneous and that the elasticities of demand for leisure in various forms may be different.

Then it seems to me unlikely that the "tastes for leisure are very stable in the long run." On the contrary I suggest that this taste may well have increased over the last fifty years and that Dr. Lewis, therefore, overestimates the price elasticity. This increase in taste for leisure might be expected if: (a) leisure is habit-forming; (b) leisure is "infectious" partly on Veblenian grounds; (c) traveling time increases and is treated (humorously enough) as leisure; (d) leisure being complementary with leisure-goods, more and new leisure goods are produced; (e) leisure comes to be used for production, "do it yourself."

There is a problem of quality of leisure which Dr. Lewis ignores. Surely we are not indifferent between eight hours of work whether the period begins at 3 a.m., 6 a.m., or 9 a.m. Nor is this simply a matter of individual choice; it is partly a matter of "bunching." People want to have leisure time at the time when others have it.

This problem of timing raises formidable economic and social problems. A greater variety of hours for starting and ending work would relieve congestion on the transportation system: it would reduce the stress on the worker of this struggle on the bus and so tend to improve productivity; and it would reduce the capital investment necessary for moving this horde of people.

The desire of most people not to work on the days when others do not work involves another difficulty which should be noted. When at leisure most people want to enjoy service, so we cannot all be free on the same day without reducing the "quality" of the leisure we obtain. For instance, Saturday is the one day free for personal finance, but the bankers must have leisure, too, and on the same day. Then think of the traffic toll at each of the big holidays related to the attempt of too many people to use the highways on the same day. Clearly the necessary social overhead would be much smaller if we

would stagger our holidays and vacations. Is it just the abnormality of the academic that leads me to add that surely we would increase the utility of our leisure? The academic might seek a day when few were on holiday: but some systematic staggering could give those who want the stimulus of a crowd enough of a crowd without the present excess. The *reductio ad absurdum* is when everyone has leisure but lacks the services that permit its enjoyment.

I find Dr. Lewis rather unconvincing on the effect of the income tax. He minimizes the "income effect." This "effect," I think, may be considerable. The proportion of tax used for "wanted services" is relatively small. But I would argue that the provision of "wanted services" does not generally lead to the reduction of other wants. Real income may thereby have increased but the need for money income to maintain customary expenditures remains high. In part my dissent is related to a doubt as to the applicability of the indifference curve technique. Useful in explaining the development of a pattern, it is dangerous in ignoring the rigidity of patterns once established. (This is just one more case of irreversibility.) Rigidity of customary expenditure patterns may well explain the failure of the income tax to deter men from work. But perhaps I am really thinking of the most serious cause of the decline in our real income, by inflation. Certainly any attempt to determine the effect of the income tax in the last ten years will be very difficult: if the price of leisure was reduced by the tax, real disposable income was drastically reduced by the combined effect of tax and inflation.

I would, next, like to say a word about the effect of leisure on productivity. It has always been recognized that productivity per hour might increase if fewer hours were worked and some attempt has been made to determine the optimum length of the working day, or week (optimum from the point of view of productivity). It has also been recognized that any improvement of man-hour productivity becomes smaller as the week becomes shorter. Now it seems to me that the effect on productivity depends on how the leisure is spent and that the use of leisure is therefore an important subject for study by economists. I suggest that a little leisure is likely to be spent with a view to recovery from fatigue: that a lot of leisure is likely to be spent in strenuous activity inducing fatigue; and that one particular form of this activity deserving study is the second job; another is the "do it yourself" work on your house. Is it too fantastic to picture Monday as the day on which men recover at work from the fatigue of a strenuous Saturday and Sunday?

Finally let me commend Dr. Reder for his argument that "there are less costly ways of creating jobs than by reducing the work week." I am not prepared to endorse "Dismissal Compensation": but I am also not prepared to accept disguised underemployment, any more than total unemployment, as necessary.

ALLAN CARTTER

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I would like to compliment the speakers for two very interesting papers—diverse in their approach to the subject, but both very "meaty" in content. I must confess that my first reaction when I read the papers was that they covered the material so well that it might be best if Professor Bladen and I were to take notice of our subject title, and begin reducing the work week right here and now by merely complimenting the speakers and sitting down.

A discussant has an unfair advantage in these meetings, however, in that he has time to mull over the papers at his leisure. And while the mulling process has not changed my opinion about the quality of the papers, I increasingly felt that there was one important aspect which has been alluded to, but has not been given the attention it may deserve.

At one stage or another in their papers, both Professors Lewis and Reder have made the simplifying assumption that employers are indifferent as to the particular pattern of work hours employees may choose. While this is perfectly proper at this level of argument, I wonder, on the other hand, if this may not conceal a very important kind of effect resulting from the shortening of the work week.

Can we assume that employers really are indifferent? In certain kinds of industries which are labor intensive, or where labor units are very nearly interchangeable and adapt their work schedules to a particular job at hand, I would suspect that apart from any wage rate effects, employers may be indifferent. For example, this might be true in the building trades, or in the case of cab drivers or university professors. But is this true of manufacturing in general?

Take a hypothetical case of a manufacturing firm; and assume, to make it a ridiculously obvious case, that a proposal is made to reduce the length of the work week from 40 hours to 20 hours. If this is a single-shift firm, can the employer merely double the number of employees to compensate for this high preference for leisure? Half as many hours per man and twice as many employees are obviously

not perfectly compensating changes. The intensive use of capital has a time dimension as well as one of proportions. In the short run, the productiveness of added workers with a fixed capital plant will certainly not match the reduced output arising from a shorter work week per man. (This is also true in the long-run, although to a less marked extent.) In the one case you are changing the proportion of labor and capital over time; in the other you are changing this proportion at a given moment in time.

A shortening of the work week cannot be fully compensated for by hiring additional workers—assuming the same wage rate per man-hour—if labor requirements with a given capital plant are relatively fixed. In this instance, any reduction of the work week is bound to reduce the return for other factors of production (lumped together) *unless* the employer can use labor in series, rather than simultaneously. That is to say, if a piece of equipment is used productively fewer hours during the week, obviously it cannot produce as much in total (although output per hour may possibly rise)—the only alternative is to use labor in shifts, so that capital equipment will not increasingly stand idle as the work week is shortened.

I suspect that this extreme case differs only in degree with the actual effects of a shortening of the work week. Analyzing this case, we might anticipate two kinds of reactions. First, that the trend toward less intensive use of labor over time would be largely offset by a trend toward more intensive use of capital over time. That is, the decrease in the length of the work week for labor would be compensated for by an increase in the work week for capital. Fortunately, machines have not as yet been successful in lobbying for a Fair *Capital* Standards Act, imposing penalties on employers for exploiting their equipment.

Secondly, we might expect that where three labor shifts are common today—*i.e.*, where capital is in more or less continuous 24-hour usage—employers would be more willing to reduce the work day for labor, but that actual reductions would be more difficult to accomplish. When the work day must be in units which divide evenly into 24, it is very difficult to accomplish a shortening of the work week without a serious reduction in take-home pay of individual workers. Reducing the work day from 8 to 6 hours, for example, is a 25% reduction, and while it is hard to make this jump in one move, it is even harder to do it in smaller jumps without reducing the working time of one's capital equipment. The well-known reduction of hours

in many of the steel plants from a 12- to an 8-hour day came very late (in 1923) and only under severe pressure from outside.

Certainly the trend toward multi-shift operations over the last 30 to 40 years has been an interesting one, and while it may be largely due to technological change—especially improvements in lighting, heating, etc.—it is highly probable that the shortening of the work week has also been a major factor, partly cause, and partly effect.

One set of figures for an industry with which I am familiar may be illustrative of the lengthened work week for capital which has gone hand in hand with the shortened work week for labor. Measuring the work week for capital in the cotton textile industry by the average number of operating hours per week per active spindle, we find that in the 1920's it averaged 55 hours per week. This suggests that most plants were operating on a single shift (in fact, most were operating on a 48-hour week). In the late 1930's this figure rose to about 65 hours per week, suggesting that about half of all textile spindles were in multi-shift operation. For the 1950-55 period, the figure has been 114 hours per week. With a fairly standard five-day week, 120 hours per week would be the maximum possible figure, so 114 indicates that practically all mills are now on a 24-hour multi-shift operation. I believe this trend will also be borne out—perhaps not quite so strikingly—in many other manufacturing industries.

I ran a random sample two nights ago; riding out on the New York Central I counted factories at work after dark, instead of sheep. Most of the way the percentage in operation appeared to be about 20 or 25%, although the figure rose rapidly as we approached Cleveland in the early hours of the morning.

The change in work patterns, however, is more striking in the larger historical perspective. The typical work week in 1900 was only about 15% shorter than its counterpart a century earlier. For that matter, it was only about 20% shorter than the work week of a typical urban gildsman in 15th century London. But in the last fifty years, the work week has been reduced by roughly 35%. Professor Lewis comments that tastes for leisure are very stable in the long run, and that reductions in hours have followed smoothly and slowly increases in the permanent real wage rates. This fits the post-1900 picture well enough, but why did the length of the work week drop by only about 1½% per decade in the 19th century, and about 4 or 5% per decade since 1900? The rate of increase in real wages does not seem sufficient to explain this. His conclusion that employers'

preferences and trade unions have only played minor roles in the long-run trend of hours of work also leaves me at least partially unconvinced. The role which trade unions have played, I suspect, is rather like the role which advertising plays in product markets, in creating or solidifying workers' preference patterns. I would be prepared to argue that trade unions have "educated" their workers and the public to place a higher relative value on increments of leisure than would otherwise have been the case. Paradoxically, in this sense trade unions may have been more influential in the last half of the 19th century (despite their small membership), campaigning for the 10- and 8-hour days, than they have been in the first half of the 20th century. And, as I have already indicated, I would argue that technological changes since 1900 have markedly changed employers' preferences. The new opportunities of multi-shift operations may have been one of the major factors making it possible for the present century to be a century of rapidly shortening work weeks.

There is an opposite side to the coin, however—for by the year 2000 we may be back where we were one hundred years ago, when plants were commonly operating at the maximum rate of utilization within the limitations of time. Technology has lengthened the "day-light" hours artificially; but it is doubtful if it can add more than 24 hours to the day.

Perhaps what we should have done in this session was to have Mr. Clague pass out slips of paper, and have each person present put down his predictions of the length of the work week and its pattern for the year 2000. I think they might make interesting reading for the IRRA smoker in that year. I am not certain what my guess would be, but it would probably be based on the assumption of a fairly common 24-hour multi-shift operation in manufacturing, and a work week declining in the future at a less rapid rate than that which we have experienced in the last 40 years.





## **Part VIII**

# **ORGANIZATION OF THE UNORGANIZED: THE PROBLEMS AND AREAS OF UNION EXPANSION**

## A Panel Discussion

### INTRODUCTORY REMARKS

LEO C. BROWN, S.J., Chairman  
*St. Louis University*

THE SUBJECT FOR DISCUSSION is "Organization of the Unorganized: The Problems and Areas of Union Expansion."

The estimates in the following table present in broad outline the areas of potential union expansion; they also suggest the broad dimensions of the organizational problem.

TABLE I

	Total No. of Wage and Salary Employees (1000's)*	Estimated Union Member- ship (1000's)*	Per Cent Organ- ized*	Estimated Number of Un- organized (1000's)*	Per Cent of White Collar in Industry**	Per Cent of Industry Total in Small Estab- lishments***
Manufacturing....	16,995	9,000	55	7,995	22.9	14.1
Construction.....	2,439	2,000	80	439	11.8	5.7
Transportation, Public Utilities, Communications.	4,131	2,800	68	996	34.5	12.5
Mining.....	445	325	75	120	10.7	22.0
Oil and Natural Gas.....	305	100	30	205		
Wholesale and Retail Trade.....	10,826	500	5	10,000	57.3	59.0
Government.....	7,013	500	7	6,000	65.0	
Services.....	5,722	600	10	5,000	44.0	62.0
Finance.....	2,220	100	5	2,000	80.0	43.0

\* Based on AFL-CIO estimates (1956); columns two and three do not count independent unions. Supervisors and executives are included in the total of employees.

\*\* A broad estimate based in part on Benjamin Solomon, "Dimensions of Union Growth, 1900-1950," *Industrial and Labor Relations Review*, July, 1956, 9: 544-61.

\*\*\* That is, fewer than 50 employees.

Geographically the unorganized are widely scattered. The percentage of union potential which is presently organized ranges from a low of 17 per cent in the South Atlantic States and 18 per cent in the South Central States to a high of 42 per cent in the East North Central and 46 per cent in the Pacific States.

The range and complexity of the problems of union expansion are revealed by various attempts to answer the question, "Why have the unorganized remained unorganized?"

Is part of the answer, as some have suggested, labor's need to consolidate past advances? Is it the change in the political climate? Or widespread full employment? Or increased sophistication of management?

Or structural reasons? In manufacturing, apart from a few notable examples, has organization of production workers in large firms been completed leaving unorganized the white-collar workers and production workers in small establishments?

To what extent is the organization of the small firm feasible? Does the cost of organizing and of servicing the small unit after organization render progress among small firms unlikely or extremely slow?

To what extent is the relative failure to unionize white-collar workers traceable to workers' attitudes? To company policies—the tandem relationship, for example? To the percentage of women in the work force?

To what extent have conflicts over union jurisdiction been an obstacle to organization, especially in areas which have been traditionally nonunion? Is the jurisdictional question being solved?

Are unions equipped for an organizational campaign? Have unions sufficient experience in the strategy of organizing white-collar workers? Are organizers with experience and ability in these areas available in sufficient numbers?

These do not begin to exhaust the questions which the topic suggests. Obviously this panel cannot attempt to explore with any adequacy all the aspects of the topic proposed. For that reason each panel member has selected a rather narrow aspect of the larger question, hoping by a closer analysis of the smaller area to throw some light upon the general problem.

[NOTE: Remarks of panel members have been condensed to meet space requirements. Suspension marks to indicate omissions have been omitted in the interest of easier reading.]

# ORGANIZATION OF THE UNORGANIZED

SOLOMON BARKIN

*Textile Workers Union of America*

UNIONISM IN THE TEXTILE INDUSTRY is confronted by the stark realities of an eroding organized base in the North and employer resistance to further organization in the South where the major sector of the industry is now located.

The present textile union was formed by the CIO in 1937 and grew over the years to a high of 450,000 members. The greater part of the strength was located in the northeastern states where well over 60 percent of the cotton-rayon, woolen and worsted, dyeing and finishing and carpet industries were organized. Stabilized collective bargaining was substituted for the intermittent but recurrent battles with sporadically organized employee groups. Wage and benefit advances effected through collective bargaining lifted the industry from the low rung in the wage ladder. To reinforce the wage gains, the Textile Workers Union of America vigorously supported and activated the American labor movement in the fight for higher minimum wages under the Fair Labor Standards Act and Government Contracts Act and for higher minimum rates under the war-time regulatory procedures. In the years 1945-50, the benefits gained in the textile industry were on par with those obtained for the remainder of American industry.

The post-war attrition in the cotton-rayon industry became evident immediately after the pent-up war demand was partially satisfied. Following the Korean incident, the rate of mill closings was sharply accelerated both in this and the woolen and worsted industry with the result that employment in the northern states was halved. Union membership was also severely cut by these closings. Nor is this process of contraction of the northern textile industry at an end. In fact, the further shrinkage of the entire industry appears inescapable so that mills are closing both in the North and the South.

The maintenance or the growth of the union is largely dependent upon its success in organizing the southern sector, which employs more than 550,000 textile production workers. The union has applied itself assiduously and generously to this task but the results have been meager to date. In the immediate post-war era, the CIO undertook "Operation Dixie," but it succeeded in winning few elections and even

fewer contracts. Subsequently, the TWUA took over the organizing drive, maintaining large staffs and conducting many campaigns. In recent months the AFL-CIO Organization Department has assigned staff members for the campaigns at two large southern textile chains but the accomplishments have been limited.

In analyzing the problems of organizing the southern textile workers over these many years, we are impressed with the southern employers' ability to integrate and exploit their economic, political and community power to mount vigorous, successful opposition to unionization. They have made a public, regional cause out of their determination to keep unions out of the Piedmont textile area. This opposition has continued and even extended during the post-war years as northern capital has taken over large parts of the southern industry and as mills have been merged into giant companies.

The corporations have exploited their economic power to destroy union following, to discriminate against union leaders, sympathizers, members and following, to close mills in which the unions have gotten a foothold, and to corral local community forces in anti-union campaigns. They have utilized older myths of local dependence upon the employer and prevailing textile worker attitudes on the race issue and segregation, the dominant parochialism and the plight of the textile industry to threaten and intimidate workers.

The southern textile mill operators have shown no tolerance for unionism and have been determined to prevent union penetration of the industry. They resisted such organization through local efforts from 1945 through 1948. But since the latter date, the opposition has been more studied, organized and coordinated through the use of a common group of attorneys and public relations firms, the exchange of information, and the high concentration of ownership. The anti-union fight has been more aggressively pursued during recent years. Not only are they determined to stop the extension of unionism but also to destroy it where it exists.

Employers have used economic power to uproot unions where they have been formed. Unionized mills have been closed rather than permitted to stand out as beacons of union progress. Large mill organizations have shifted work to other plants to permit them to close mills in which the unions had won elections. In one case, the controlling interest shut down a mill after the Army, which had run it during the war, returned it, in order to clear out all union followers. This month it liquidated another mill where the union won an

election. To assume complete discontinuity of operations, all of the equipment was sold piece by piece at a public auction.

The Taft-Hartley Act and its present administrators have removed most restrictions on the use of brutal economic power against union workers. Section 8(c) of the act has become an open invitation for employers to intimidate workers through the free expression of their disapproval of unions and the dire predictions of what would become of the mill should the union win an election. Brain-washing conferences with individual workers are becoming the common practice as the NLRB has sanctioned the interrogation of workers regarding their union activities. The employer may now freely turn to third persons, *i.e.*, non-employees, to reinforce his own anti-union campaign. He is no longer held accountable for the pressures exerted against the union by citizen groups and Chambers of Commerce.

In a number of communities, local employer groups, in their anxiety to prevent a break in the ranks of opposition to unions, have even coerced new employers to refrain from signing union contracts where they were so disposed or were actually in contractual agreements in other communities. They have relieved the employer of the embarrassment of carrying on the anti-union campaign and have taken over this task themselves, resulting in the defeat of unions. Many southern community leaders, anxious to secure new plants have been persuaded that unions must be kept out if they are to succeed. The regional enforcement of the anti-union spirit pervading the textile industry is holding off the unionization of non-textile plants in the Piedmont region.

The opportunities for individual redress for workers who have been discriminated against or discharged for union activities have become more limited. In fact, unions have widely recognized that the protection offered by the Act is nominal and of little assistance. They resort to this protection only in cases of blatant violations. The range of unfair labor practices has been narrowed by the Taft-Hartley Act and the Board decisions; the proof required by the Board's agents has become so exacting and difficult for private parties to obtain that their assistance is more limited and their sympathy and understanding have almost disappeared. The procedures for gaining relief are prolonged, costly and exhausting. The final remedies are of doubtful value since the Board has overlooked employers' acts in offsetting findings of unfair labor practices through other propaganda devices. Back-pay awards have been severely cut through new rulings.

Employers have used their economic and political power to limit

the union workers' constitutional rights of freedom of speech, press and assembly. The local political authorities are often in league with the managements. Police officers frequently are also on the employer's payroll. They have interfered with the distribution of literature and have threatened and molested union organizers. Several southern communities have passed ordinances requiring organizers to obtain licenses and pay prohibitive fees. While these have been considered unconstitutional by the federal courts, the local officials continue to enforce them, contending that the specific local ordinance has not been passed on. The Federal Department of Justice has shown no sympathy for enforcing elementary constitutional rights, usually directing the union to turn to unsympathetic state courts for protection.

The churches, and particularly the apostolic preachers, have been used by employers to bring the curse of God upon the union. In this church-going area, these sermons, particularly of the itinerant lay preachers, have confused the working population.

In the final weeks of union campaigns employers have often raised the race issue to exploit deep fears of the Negro. They have identified the union with the desegregation movement and have intimated that the union movement has been the financial supporter of the NAACP and the mainstay of the movement for equal rights for Negroes. Workers have been told that a union victory would mean Negro supervisors for this lily-white industry.

Unionists of southern origin and, at times, from the same community, are branded as foreigners who are coming to take "dues" money to alien parts. They are pictured as intruders who are breaking up peaceful communities. In an area where there is little contact with or knowledge of unions, this propaganda is effective in weakening the interest in unionism.

Every modern opinion polling technique is now employed in this anti-union cause. The surveys of employee attitudes serve to identify sullen areas. The supervisors of these departments are then fired and minor remedies made to relieve the tension. All types of modern propaganda procedures including literature, movies, radio, newspaper advertisements, community rallies and television are used against the union. Nothing is spared to defeat the union. Several corporations have special full-time staff men to combat organizational efforts.

In recent years employers have even pleaded the sad economic plight of the textile industry to counteract the union's appeals for higher wages. Textile workers have been told that they will lose

their jobs if wages are increased. When the feeling for higher rates among the employees becomes too great, the industry's leaders have initiated voluntary wage increases which have served temporarily to dampen the desire for further organization.

Despite these forces the demand for unionism among the southern textile workers is real. Discontent is widespread. Our campaign records demonstrate that more than thirty percent of the workers of most mills are ever ready to stoutly stand up for the union. They will sign up with the union as soon as the campaign is launched. The remainder of the work force is more susceptible to employer pressure. They have not stood up against the anti-union campaign even though many had signed up with the union whose organizers have prepared them to meet it.

The southern textile worker appears ready to accept unionism but is not prepared to make the fight for unionism in face of these virulent organized and strongly financed employer pressures exerted by the employer, his agents and community groups. His dependence upon the employer is so great that the majority of employees is not ready to take the chance. Many of them have seen mills close and they do not want to face that alternative.

The problem of southern textile organization is similar to that faced by the American worker before 1933. While we have federal legislation which nominally protects the workers against discrimination and coercion, the Taft-Hartley Act and its administrators have emasculated these protections so that they are now empty gestures. To the southern textile worker they are weak reeds upon which to rely. The federal government is not determined to restrain the anti-union employer or assure the worker the freedom to choose a union of his own selection. Nor is the U. S. Department of Justice ready to extend its helping hand in enforcing the elementary constitutional rights of freedom of speech and assembly. Community groups act in concert to support employers. There are no local civic agencies ready to defend individual civil liberties such as existed in northern communities even before 1933. The insistence on conformity to dominant regional patterns is so strong that there is little tolerance for individual freedom or deviation.

In the brutal fight against unions, section 8(c) of the Taft-Hartley Act has been converted into the abuse of free speech to coerce and intimidate workers into a state of fear. Employers use the right to speak to snuff out independence and liberties.

To assure the same rights at organizing free democratic unions



as are enjoyed by workers in other regions of this country, section 8 (c) of the act must be repealed and the provisions of the Wagner Act must be restored. Employer agents and those aiding him in his anti-union campaigns must be enjoined from interfering with the workers' freedoms. Representation procedures must be expedited for southern cases and older procedures under the Wagner Act, permitting recognition of unions on the basis of card checks and other substantial evidence of worker desires and pre-hearing elections must be restored. The older remedies against employers interfering with union organization and coercing and intimidating workers should again be made effective.

The southern textile worker wants unions but the greater number are not strong enough on their own without governmental protection to withstand the pressures of superior economic forces and coercion exercised by the employer. If the elementary rights of the worker freely to join unions of his choice were enforced as they were done under the Wagner Act, union organization would quickly spread throughout the southern region both in textile and other mills.

# THE PROBLEMS AND AREAS OF UNION EXPANSION IN THE WHITE-COLLAR SECTOR

BENJAMIN SOLOMON

*University of Chicago*

I WILL VERY QUICKLY TRY to give some perspective of a quantitative nature on the organizing problem in the white-collar field. I shall deal only with the large, unorganized areas where I believe the future of white-collar unionism will be resolved. These are:

1. Office employees
2. Retail sales employees
3. Teachers
4. Engineers and scientists

For each of those areas, I will give two dimensions, both of them based on highly subjective and arbitrary methods. First, there is the "practical" potential, which attempts to give a notion of the group that in some sense or other may be considered within the current target range of unionism. The second dimension—which is of a quantitative-strategic nature—is the bench mark or guidepost of progress. The bench mark attempts to depict a significant step forward for unionism—to indicate to observers the point at which the union has achieved a new level of strength, influence and ability to grow further.

*Teachers.* Out of about 1,100,000 public school classroom teachers, the practical potential may be set at an estimated 400,000 unorganized teachers in cities of 10,000 and over. The American Federation of Teachers has 50,000 members. My estimate of a bench mark for the A.F.T. is representation in most of the 100 largest cities—a membership of 150,000.

This size and distribution would mark a new level of influence. By this point, the A.F.T. would exert a genuine nation-wide impact on teachers' salaries and working conditions. It would also have significant power to improve tenure legislation. It would equal the teacher professional societies in influence and its appeal would reach most teacher training campuses. Finally, the A.F.T. would be able to mobilize greater resources from its own membership and its status in the union movement would be radically improved.

I wish to acknowledge the valuable criticisms and suggestions of John W. McCollum and John E. Olson of the Union Research and Education Project, University of Chicago, and Stanley Rostov, Field Representative of the American Nurses Association.

*Office Employees.* Based mainly on location in the standard metropolitan areas, with a rough deduction for those outside of the central business district or fringe manufacturing areas, my "practical" potential for unorganized office employees is 2.5 million.

The major concentrations of office workers are in central business districts. The union in the field, the Office Employees International Union, with 50,000 members scattered about its vast jurisdiction, has made little penetration as yet.

A significant guidepost of progress in this field, therefore, would be a major penetration of the downtown business area of even one or two cities. Perhaps the chief implication of such a success would be that a method for mass organization had been devised. An alternative bench mark would be the organization of clerical employees in a white-collar industry. Insurance offers the outstanding possibility of this approach.

*Retail Sales Employees.* An estimated 1.2 million unorganized retail clerks are found in the standard metropolitan areas.

The strongholds of retail unions are in a half dozen or so of our largest cities—New York, Boston, Philadelphia, Seattle, San Francisco, Pittsburgh. Here they have strength in the large downtown department stores and in smaller store lines, particularly food. A new level in union power would be achieved when similar bases are conquered in a half-dozen more major cities, particularly in the Midwest and the South. An alternative guidepost would be unionization of the two large mail order chains.

*Engineers and Scientists.* By taking one-half of the number of engineers and scientists in manufacturing and other industries, where a high concentration of employment prevails, a "practical" potential of 200,000 is obtained.

In this field, the major impetus for unionism is carried by the loosely-organized, unaffiliated Engineers and Scientists of America. A significant step forward would be a tightening of its structure and a more active organizing program. It is somewhat more difficult to establish a significant guidepost in numerical terms. A doubling of its membership—now about 40,000—with the increase concentrated in industries such as the electronic, chemical, and aircraft, would mean a stable and highly influential base among technical professions.

#### NEW APPROACHES TO WHITE-COLLAR ORGANIZATION

In contrast to the later '30's and inflationary '40's, the present organizing job for many unions, including white-collar, appears to

be the complex and costly task of convincing less union-minded groups of the advantages of organization. Such prospects invite a hard examination of organizing methods and policies. For a number of reasons, the white-collar field is a particularly apt area for this examination and for the consideration of new approaches.

*First*, there is a widespread feeling that trade union methods developed among manual workers are not completely applicable to white-collar people.

It is worth noting here that certain non-affiliated groups may be working out their own approaches to collective action. The Engineers and Scientists of America is perhaps one example; another, less well-known, is taking place in the nursing field. Here, the professional society, the American Nurses Association, has been formulating a collective bargaining program for its members. By now, the Association has completed the initial development of its "Economic Security Program." The emphasis lately has been on forming units at the place of work and encouraging participation of nurses in collective bargaining and other problems facing the profession.

*Second*, study and experimentation may be more needed in the white-collar field because of the more subtle and complex factors which prevail here. White-collar people are often described as a group precariously suspended among other groups in society. More educated, they are more involved in the manipulation of symbols and intellectual rationalization.

*Third*, study and experimentation by the white-collar groups may be of value to the union movement as a whole. Some part of what is learned may be transferrable to manual sectors, such as to parts of the oil and chemical industries where there are paternalistic personnel policies, stable jobs, and high wages. More generally, an attempt by one sector to absorb into its organizing approach whatever can be gained from the knowledge and techniques of social science may pioneer the way for other unions to do the same.

#### THE SOCIAL SCIENCES AND ORGANIZING

In listing reasons for study of alternative techniques in white-collar organizing, I implied that social science resources would be utilized in the process. Why did I assume this?

My reply is: It is inconceivable that white-collar unions could undertake a serious analysis of and experimentation with alternative organizing approaches without drawing on social science resources. On the other hand, it must be admitted that the problem of bringing

social science knowledge and technique to the service of action organizations like unions is still unresolved. While no final conclusion can be drawn here, the following observations bear on this problem:

1. Corporate business has adapted and developed certain aspects of social sciences for important applications in personnel administration and marketing. This reminds us that the social sciences are not remote subjects, but deal with social forces—the behavior of people in society.

2. Unions, like most institutions, have hammered out their policies and methods on the basis of experience and common-sense observation. But in the modern world, the complexities of social forces and the problem of large-scale organization call for more effective methods of formulating and implementing policy. When these become available, at least some institutions will attempt to make use of them.

3. The social science framework leads to more systematic, more objective thinking; it elicits more pertinent information about a problem; it brings out the relevant alternatives for action; and it encourages careful experimentation and methods of evaluation which conserve the benefits of experience. Two illustrations may be given of general questions, relating to the organizing problem, which require for valid study social science resources: (1) Do unions in many cases misjudge motives underlying behavior by over-emphasizing economic as against social and psychological pressures; and (2) do unions fail in communicating with prospective members because they attempt to impose their own concept of the images people have of themselves instead of finding out what this image actually is?\*

4. On the level of implementation and technique, a whole range of devices exist which bear on important aspects of union operation. These have to do with obtaining information about groups, communication with and within a group, methods of encouraging participation, and so on. In a small way, some of these techniques are being used. Also, a probable result of more analytical methods would be better training of organizers, or at least less likelihood of using obviously unqualified persons in white-collar campaigns.

The above is a highly positive and idealized presentation of the theme that in the social sciences there may lie the means for harder-hitting, more aggressive white-collar organizing drives. Of course,

\* Suggested by John W. McCollum of the Union Research and Education Project, University of Chicago.

the prospects that unions will resort to new intellectual resources are dim. We have the familiar and convincing set of reasons, such as the political nature of unions, the constant need to deal with the immediate crisis, unsettled jurisdictional problems, lack of unity, and so on.

Against this may be posed somewhat less concrete propositions. The sheer force of the competition with management, the competition among union leaders for means of success, and progress in the social sciences may finally alter the viewpoint of unionists.

#### AN ALTERNATIVE ILLUSTRATED

I will sketch briefly a hypothesis for a different approach in organizing teachers, not as a serious suggestion for action, but to lend concreteness to this discussion of alternative approaches and the social sciences.

One of the major difficulties of the American Federation of Teachers stems from the belief that professionals should not join unions. This assumption leads to the following train of thought:

1. It is important for the union to give new meaning to professional aspirations in teaching, so that these no longer imply a rejection of unionism but rather include a recognition of the union as a leader for major professional objectives. By strongly identifying itself with professional goals, the union would thereby enhance its appeal to potential members.

2. To do this, the union must assume leadership for a major professional objective. I suggest this be the basic one of raising the still-low status of teachers and teaching in this country. Its continuation, I assume, is a function of the separation of education from the community. The solution then is to break down this barrier by a long-range program at the community level whose aim is to widen the core of people who will understand and respond to the needs of education.

3. The A.F.T. locals at present are the only teachers' groups with community programs. Community support for its goals is a vital part of teacher union strategy.

4. The proposal then is: That the union broaden its community activities to include the major professional objective of educating the community on the needs of teachers and teaching; that it carry on research and experimentation in the methods of community action and in the means of encouraging maximum participation by teachers; and that it assist locals with program planning, training, and materials.

Out of this linking of immediate union and long-range professional goals in a planned program of community education, the union would hope to expand its numbers and influence.

A proposal like this raises many questions, such as: Can the profession be convinced that a long-range program of community education is a basic objective of the profession? Would the profession find the union a suitable vehicle for achieving this objective? Could the union develop and carry through an effective program of community action? Would the shift of emphasis in the union approach lead to an undesirable dilution of strictly union objectives?

I believe there are social science resources in the areas raised by these questions—professionalism, the relation of school and society, the nature of the community, and the techniques of social action in the community—which would make important contributions to their analysis and to the development of union policy.

# UNIONS AMONG ENGINEERS

EVERETT TAFT

*Federation of Honeywell Engineers*

## SOME SPECULATIONS WHY ENGINEERING MANagements ARE DIFFERENT

THE ATTITUDES AND BEHAVIOR of the engineering managements substantially limit and determine the prospects of organizing professional engineering and technical employees. At present, organization among these American workers affects less than ten percent of those eligible for collective representation.

Engineering managements are different from other managements. As clear a case can be made for this as can be made for an analogous distinction with regard to engineering unions. Actually, this is not surprising, since both are spawned from a common stock.

When I speak of engineering managements I am restricting myself to those running technical operations in the large companies in a few industries, namely, airframe, electronics, controls, and the hybrid, "avionics." These managements have a gnawing guilt sense. They believe that the very existence of a union in their domain establishes them as failures in management. By contrast, an ordinary management has a bulwark of confidence. It feels that a union of shop operatives can not sustain technical criticism of management decisions. This confidence evaporates when engineers organize.

One highly valued management prerogative is to be able to designate an engineer as a "failure." The device, if allowed to operate without interference from the union, is so destructive of self-esteem that a quiet resignation is the usual result. Such discipline, however, is undermined if the employee has the option of reappearing on a superior level, that is, on a policy-influencing union committee. Furthermore, the "adequacy ratio" of the engineering manager is low, by which we mean that his power resources are least adequate in proportion to his felt needs.

The specifications for an ideal engineering manager call for a blend of two conflicting character types. The one type values new processes and clever gadgets while he insists on the privilege of being unconcerned with their ultimate applications. The other type values social skills, top regard being reserved for competence in manipulating both peers and subordinates.

If the manager comes from bonded and distilled engineering



stock, he will be fiercely "inner-directed," contemptuous of social skills, but fearful lest he be outmaneuvered by rivals who possess them. If, on the other hand, he learned early to keep more of an eye on his colleagues, at the price of less attention to his material, he is bound to worry about real or fancied technical superiority of his engineer subordinates. If he succeeds as a manager he becomes alienated from his engineering base, and he then faces personnel people who are trained in the social skills which the engineer-managers acquire as amateurs. The latter can maintain domination only by attaching "engineering necessity" to every decisional situation.

As engineering managers make their way up the ladder, a resolution of the character dilemma becomes possible through the developing institution of staff engineering. Having acquired all of the social skills that he can use, the manager re-acquires technical competence through a corps of personal-servant engineers. The relation is symbiotic in that the boss becomes a political patron for the staff engineer.

Some of the most highly regarded engineering jobs are staff, with one of the most significant features being immunity to representation. The rights of these employees to protection under the labor laws have been obliterated by unilateral management decision, but, as yet, no union has seen fit to contest this mushrooming practice.

It is back at the middle-management levels where the engineering unions have, so far, had their impact. The claim of "engineering necessity," unquestioned by personnel and other auxiliaries, is transparent to an engineering union. Like any other union, it places "people" values on a level with "thing" values. In addition, it frequently questions the validity of the "thing" evaluation asserted.

This latter propensity alarms and infuriates. The engineer on the union side of the table is often closer to the raw facts than the manager who would like to claim them for partisan support. If, to avoid this pitfall, the manager cites topside policy for his bargaining rationale, he finds that he has subjected hitherto unquestioned authority to negotiation. He seldom makes this mistake a second time.

Given the fundamental assumption that industrial democracy is taboo, the dilemma is real. Three solutions, none entirely satisfactory, are being employed:

*Dissimulation* is a personnel task. The personnel manager is expected to adjust union leaders to the acceptance of accomplished facts without prior consultation. This is done by retailing the de-

cisional rationale in the guise of collective bargaining. Another trick is the misrepresentation of an important matter as a trivial one, with the expectation that the union will be occupied elsewhere when revelation comes. Another is simple failure to notify with an apology for oversight when the union inquires. Another is the bald assertion that the contract and/or precedent exempt the matter from union jurisdiction. This last relies on the union's unwillingness or inability to litigate. As long as there is a little danger that provocation and frustration of union leaders will sharply diminish engineering performance, the personnel manager can mix his tactics to taste—provided the union-made disturbances are inaudible in line management offices.

When time to negotiate the contract arrives, however, the engineer-managers cannot avoid involvement without surrendering real authority to the personnel department. While it would, undoubtedly, impress the union if the company would assign some manager of extraordinary rank, that would intensify, rather than ameliorate, the psychological problem among the elite.

*Calculated Incompetence* is, therefore, the common substitute contrived for contract negotiations. Several middle-management engineers and two or three personnel officers constitute themselves as the management "team." It is made clear that no single member is competent to commit the company. When an engineer-member speaks he defers to legal considerations; if the lawyer-member lapses into agreement with his colleague, payroll confirmation will be lacking. The "team" is in huddle more than it is in the game, and negotiations tend toward continuous caucuses. Such action as evolves is razzle-dazzle, with simultaneous free speech up and down the table.

If the grand strategy calls for a "Boulware" package, these tactics are almost ideal for engineer-managers. In return for time spent which they resent giving, they have the compensation of dealing from a deck which has been stacked by their own boss. He is known to be solicitous of their future comfort.

Needless to say, calculated incompetence is only valued when no agreement from the union is really desired.

*Union Subversion* remains. While the motivations of these tactics may contain no personal animus for the union leaders, they will, nonetheless, produce intense side effects. Unionized engineers tend to treat their management and their union with equal skepticism; but, if their leaders are kept in a continuous state of irritation, there

is the ever-present danger that too large a number of working engineers will identify with their nominal leaders.

To avoid this calamity a cold war is waged continuously at the lowest supervisory level. A variety of themes useful for subverting union loyalty is originated at high levels, refined and patterned in the middle, and selectively applied at the points of friction.

If only an exercise in dialectics were involved, perhaps even our feeble organizational efforts would have shown more success. But the managements can back up their moralizations, their indignation, and their promises with the omniscient and ubiquitous unilateral merit review. Accordingly, some of the friendliest supervisors in the world can and do say with fair grace:

"My boy, I have great faith in your ability, but how do you ever expect me to convince the boss that you merit a raise as long as you spend time on union activity?"

The managements seem to prefer this war of attrition to the boat-rocking broadside of a decertification effort. They do so, I think, to avoid jeopardizing their recruitment of junior engineers.

The great majority of employed engineers are, so far, uncommitted and unchallenged. Many of them are hoping to learn first which is the winning side. At the moment, all of the big guns seem to be on the company's side, but a lot of engineers are beginning to suspect that the long-term tide is running with the unions. I hope.

## SMALL ESTABLISHMENTS AND CHEMICALS

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EACH OF THE AREAS LISTED for discussion in this session on union organization presents peculiar obstacles to ready union penetration. Such sectors as chemicals, textiles, small establishments, white-collar and professional employees have long been high on the priority schedule of labor organization. The failure of the merger to make significant new progress in these areas attests to the persistent, fundamental nature of the problems posed. If our research on these questions is to yield useful, predictive results, it is necessary to analyze not only the obstacles to organization, but also the adequacy of the present union organizational structure and policies. Even though the barriers to unionism in each of these sectors have their own unique configuration, they also evince common characteristics. At this juncture in labor's historical development, when the organizational drive appears to have stalled once again, it is worthwhile to appraise the path likely to be followed in American labor's traditional policy of structural adaptation to meet the changing requirements of a hostile environment.

### EXTENT OF THE ORGANIZING POTENTIAL

The chemical industry is widely recognized as a primary target of the AFL-CIO organizing attack, and agreement has been reached on organizational jurisdictions within the industry. Although as much as three-fourths of the industrial chemicals component may now be under collective bargaining coverage,<sup>1</sup> District 50, United Mine Workers and many independent one-company unions are prominent in this industry, and such AFL-CIO affiliates as the Oil, Chemical and Atomic Workers, the International Chemical Workers and the Teamsters each represent a smaller proportion of the bargaining units.<sup>2</sup> It appears, then, that much of the organizing drive in this field may take the form of "raiding" rather than initial organization.

<sup>1</sup> Kirk R. Petshek, "Research on Extent and Scope of Collective Bargaining," I.R.R.A. *Proceedings*, 1952, p. 223. It has been estimated that in Texas two-thirds of the chemical industry is organized. See Frederic Meyers, "The Growth of Collective Bargaining in Texas—a Newly Industrialized Area," I.R.R.A. *Proceedings*, 1954, p. 289.

<sup>2</sup> Neil W. Chamberlain, "The Structure of Bargaining Units in the United States," *Industrial and Labor Relations Review*, October, 1956, p. 19.

There is substantially less union organization in other branches of the industry, such as drugs and medicines, paints, and fertilizers, which make up almost half of the production workers in the total industrial classification. It should also be noted that an unusually large proportion of the employees in many of the industry's components are in professional technical and other categories not readily amenable to unionism.<sup>3</sup>

For purposes of this discussion, greater interest is found in the organizing potential in small establishments. Indeed, it is likely that a significant part of the organizational problem in the chemical industry is in relatively small plants. For example, of 412 plants in industrial inorganic chemicals, 33 plants now employ 60 per cent of the total employees, and there are 300 plants with fewer than 100 employees each.<sup>4</sup> In manufacturing, as a whole, union organization is concentrated in large establishments. A *Fortune* survey of 102 (out of 150) manufacturing firms who employ more than 10,000 workers, found only three which were not at least partially unionized. And a United Auto Workers' survey showed that 97 per cent of the still unorganized plants within its jurisdiction have fewer than 250 workers and 63 per cent have fewer than 50.<sup>5</sup> A Texas survey showed 60 per cent union organization in firms employing 250 or more workers as contrasted with 10 per cent in those with less than 250.<sup>6</sup> In total, it has been estimated that even in highly organized industries, there are probably five million unorganized manual workers in plants with fewer than fifty employees.<sup>7</sup>

When we turn to non-factory conditions, the union potential in unorganized small establishments is even more impressive. It is here that we find a common meeting ground of organizational problems in many of the major non-union sectors. The difficulties of union organization in the service trades and among white-collar employees in wholesale and retail trade and financial institutions, stem in large part from the preponderance of small establishments in these areas. Even office and clerical employees are more likely to be organized if

<sup>3</sup> "Employment Trends in the Industrial Chemicals Industry," *Monthly Labor Review*, May, 1952, p. 530. Mr. Arnold Weber, Massachusetts Institute of Technology, has estimated present union membership in the chemical industry as follows: International Chemical Workers: 55,000; Oil, Chemical and Atomic Workers: 55,000; District 50, UMWA: 50,000; independent unions: over 100,000.

<sup>4</sup> *Ibid.*, p. 529.

<sup>5</sup> Daniel Bell, Discussion in I.R.R.A. *Proceedings*, 1954, p. 234.

<sup>6</sup> Meyers, *op. cit.*, p. 291.

<sup>7</sup> Leo C. Brown and AFL-CIO estimates.

they are in large rather than small firms.<sup>8</sup> It is likely that well over one-half of the estimated eleven to twelve million unorganized white-collar employees<sup>9</sup> are in establishments with fewer than 50 employees.

Because of the widespread area for organization in small firms, renewed efforts are presently being made in this direction. Neil Chamberlain's recent analysis of bargaining units, as reported by the Federal Mediation and Conciliation Service, reveals the surprising extent to which unions have been willing and able to organize workers in small bargaining units. In this tabulation "almost one-fifth of all units have less than 25 employees, one-half have less than 100 employees, and two-thirds less than 200 employees."<sup>10</sup> Professor Spielmans, in his study of NLRB records finds that the size of new bargaining units has grown steadily smaller during the period 1940-1954; but, ominously enough, the number of representation elections has also declined sharply in recent years, and the number of "no union" votes has risen steadily, to reach a new high of 46 per cent in 1955.<sup>11</sup>

It can reasonably be inferred from the foregoing discussion that unions have been willing and, on many occasions, able to organize workers in small establishments. Nevertheless, a very significant proportion of the unorganized union potential—both manual and white-collar—is still located in firms with less than fifty employees. In their efforts to meet this challenge AFL-CIO affiliates have begun to concentrate on these smaller units. But the problem of organization in small establishments have proved to be formidable, and in many instances, the organizational campaign has failed. It remains to appraise the nature of these problems and the structural adaptations directed at their solution.

#### PROBLEMS OF ORGANIZATION

Where unorganized sectors of the work force are located in small establishments—such as much of the white-collar, service and agricultural categories, as well as many in manufacturing concerns, including chemicals and textiles—the problems of organization in small establishments and the problems in these other areas obviously

<sup>8</sup> Benjamin Solomon, "Dimensions of Union Growth, 1900-1950," *Industrial and Labor Relations Review*, July, 1956, p. 553.

<sup>9</sup> *Ibid.*, p. 550.

<sup>10</sup> *Op. cit.*, p. 9.

<sup>11</sup> John V. Spielmans, "Measuring the Results of Organizational Union Representation Elections," *Industrial and Labor Relations Review*, January, 1956, p. 283.

converge. But even where this is not so—such as in some of the larger unorganized chemical and textile concerns—there are still notable parallels in the obstacles to unionization. The basic problems can be usefully discussed under the following headings:

1. *Welfare capitalism.* The term is used here in a broader sense than has been common in discussions of labor history. It includes not only managerial efforts to forestall an “outside” union through the establishment of company unions and the payment of the union scale of wages and benefits. It also includes the whole complex of inter-personal industrial relations that has come to be associated with “progressive” personnel administration. In small establishments the effects that many large companies attempt studiously to achieve “come naturally.” The owner-manager is closely related to his employees, recognizes their needs and is conversant with their day-to-day problems and activities. The workers, in turn, have a sense of belonging and identification with the interests of the company. They are loyal to the owner-manager as the recognized leader of the industrial community, and are prone to view with disdain, if not alarm, any outside efforts to divide or dilute that loyalty. Under these circumstances, the AFL-CIO organizer is likely to be branded as an interloper and agitator, and his every effort at organization is likely to further the workers’ loyalty to the company and, therefore be self-defeating.<sup>12</sup>

White-collar employees and professionals pose a similar organizational problem because of their tendency to identify their interests with management rather than with labor and unionism. When these employees are located in small establishments, these natural proclivities are intensified. A number of large chemical plants, which have been impervious to the AFL-CIO attack, have sought to accomplish these objectives through a conscious personnel policy. What they lack in the close, intimate contact of the small establishment, they make up in a multiplicity of benefits and services designed to foster employee loyalty. If even these blandishments and concessions are insufficient to discourage a union orientation among their employees, an independent one-company union will often fill the breach.

2. *Socio-Legal Environment.* The obstacles to union expansion become even more formidable when, as is often the case, the small establishment is located in a small community. Then, the owner-

<sup>12</sup> For an excellent discussion of labor-management relations in small establishments, see Leo C. Brown, S.J., “Impact of Unions in Small Plants,” *Monthly Labor Review*, July, 1956, pp. 787-790.

manager further enhances his influential role in the lives of his employees. Employee loyalty to the provider of jobs is augmented by loyalty to the community leader. The pressures of conformity are almost unilaterally in the direction of anti-unionism. Textile mills locating in the south have benefited from these circumstances in their efforts to forestall unionism. Chemical plants, which tend to locate near sources of raw materials, are also often found in rural areas and small communities. The geographic dispersion, itself, raises special problems for a centrally-controlled union organizing drive. Here, again, the general difficulties facing union organization are intensified when the target is a small establishment. It is notable that, in Texas, small firms locating in rural areas were much less susceptible to unionism than those established in urban areas. For a variety of reasons, urban-rural differences were not pronounced in the case of large establishments.<sup>13</sup>

3. *Costs of Organization and Servicing.* The high cost, per capita, of organizing and servicing locals in small establishments must be considered a major obstacle to union expansion. The problem is further complicated by geographic dispersion, product diversification, occupational heterogeneity (within such broad headings as "white-collar workers,") and labor turnover. To the extent that members of a particular craft or industry are dispersed geographically, the craft or industrial union in the field must expend more time and energy in their behalf. Product diversification and occupational heterogeneity require the presence of a number of unions in a single community or establishment and duplication of a similar combination of unions in many communities and establishments. Moreover, each time an organized worker moves to another establishment, even in the same community, there may be danger of his loss to a particular union and even to unionism as a whole. He may join a non-union company or he may not wish to pay the initiation fee in the new union jurisdiction.

Although these fundamental problems do not lend themselves to easy or complete solutions, it is possible that the organizing attack could be enhanced by a movement toward general or territorial unionism, in contrast to the traditional craft and industrial jurisdiction.

#### THE POTENTIALITIES OF TERRITORIAL UNIONISM

What are the advantages of general or territorial unionism in

<sup>13</sup> Meyers, *op. cit.*, p. 294.



overcoming the obstacles facing organization in small establishments?

(1) In response to welfare capitalism and the peculiar loyalty relationships between management and labor in small establishments, the dominant territorial union offers the prestige of the union and its leaders. Having organized many of the workers in a variety of industries and occupations in the community, the paramount area union has the advantage of a different type of conformity—this time in favor of the union. Many of the manual workers in the unorganized plants will have worked in a contiguous industry already organized by the paramount union, and many of the women in service and trade establishments will be the daughters and wives of the members of this union. With a tailor-made policy to fit the needs not only of the establishment but also the community with its jurisdiction, the territorial union is not as likely to be viewed by the worker as an alien organization, imposing its will from without.

(2) If the employer should continue to oppose the territorial union in spite of its area-domination, its prestige, and community consciousness, the union is in a strong position to enforce its organizational will—an important consideration in small establishments falling outside of NLRB jurisdiction. Given domination of the area, the union can restrict the use of strike-breakers (just as craft unionism prevented the use of skilled strike-breakers) and it can organize an area boycott of the recalcitrant employer's product.

(3) A major advantage of territorial unionism is the saving of cost in organizing and servicing locals. The union can be working in its own backyard, with an intimate knowledge of the establishment it serves. By dominating an entire area, it can avoid the wastes involved in catering to scattered firms and occupations in a wide geographic region. Since most labor mobility is restricted to a small spatial area, the movement of workers will no longer be as likely to mean the loss of union membership.

In the limited time available, there can be no full appraisal of the potential growth of general or territorial unionism—as an adjunct to established craft and industrial union structures—in the United States. It can only be noted that general unions are among the largest and most rapidly growing in Great Britain, whose institutional structures we have borrowed so liberally in the past; and that the following recent developments in this country are pointed in the direction of general unionism: the widespread abandonment of traditional craft and industrial jurisdictions by the Mine Workers, the Teamsters, the construction unions, the Auto Workers and many others; the rapid

growth of amalgamated locals in the service and other trades; the growing importance of intermediate territorial union bodies; and the increasing number of bilateral agreements designed to reduce jurisdictional competition between previously rival unions.

Although much of this structural change can be attributed to the simple fact of union empire-building, if the preceding analysis is correct we can expect an acceleration of the tendencies to general unionism in the future organizing drives in small establishments and small communities. Just as craft and industrial union structures emerged in response to the needs of earlier times, the remaining pockets of the unorganized appear to call for further structural adaptations.

## **Part IX**

# **OPINION SURVEYS IN RESEARCH AND POLICY**

# USES OF SURVEY RESEARCH IN POLICY DETERMINATION

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## *1. Introduction*

MARKET RESEARCH is a venerable and respected activity in management circles. The executives of American business and industry have surveyed for a long time their present and potential markets. Only within the last decade, however, has management turned on its own operations the new tools of quantitative social research. Within the short period of ten or a dozen years the practice of using survey research to learn about employee attitudes and perceptions and to gauge the effectiveness of management programs has become widely accepted. Precise data on the number of such surveys and the number of dollars spent in their conduct are not available, but there is no doubt that the figures would be impressive.

It does not follow, however, that because millions of dollars and man-hours are being spent to determine social and psychological facts about industrial life, such research has a correspondingly large effect upon the formulation of policy, either in business or in labor unions. Management is a sophisticated and occasionally an extravagant buyer of such research, but the purchase is made typically to implement and not to formulate management policies. Organized labor, less endowed with research staff and research dollars, has not yet reached the point of investing significantly in research even for purposes of implementing policies already in existence. Nevertheless, the actual and the potential effects of survey research on organizational policy should not be written off as unimportant. It will be the purpose of this paper to examine several ways in which the findings of survey research have effect upon union and management policies.

We will do this first by proposing a conceptual framework in which we distinguish three levels at which survey research may affect organizations. We will then consider some of the characteristics of an organization and of a research group which may serve to modify the impact of a given research project on organizational policy.

The third section of this paper will be concerned with the presentation of case material. Cases will be introduced to illustrate the impact of survey research at each of the three levels specified in

the conceptual framework—procedure, policy, and major function. Finally, in the fourth section of the paper we will discuss the relation of survey research to social values. In this discussion we will attempt to indicate the interrelatedness of social values and social research, to make explicit the kinds of value problems which confront the social scientist, and to suggest an approach to handling these value problems both in short-run and in long-run terms.

### *11. Conceptual Framework*

We propose to look at the implications of survey research for organizational policy at three levels. The first of these involves the use of research to evaluate the effectiveness with which a specific organizational policy is being implemented. The second involves the use of research to modify specific policies in order to achieve more fully the existing goals of the organization. The third of these levels involves the utilization of research to alter major functions of an organization. Such efforts are likely to be made either by social action groups outside the organization, or by groups emphasizing different goals or components of the value system within the organization. The development of each of these three levels is sketched briefly below.

1. *The utilization of research to evaluate the implementation of existing policy.* This kind of procedural research is the type most frequently used by management. The purpose of procedural research is to answer such questions as, "Are the employees reading the company magazine?" or "How do foremen feel about the training program which is offered to them?" Such questions are not asked in order to determine whether a company magazine should be published or a foremen training program offered. Rather, the research is done to examine the effectiveness of existing procedures, *e.g.*, to determine whether the company magazine must be made more attractive or the foreman training more inspiring. Company policy regarding the importance and appropriateness of formal communications to employees or training of first-level supervision would be unaltered.

2. *The utilization of research to modify specific policies.* This is a use of survey research which makes more demands upon the researcher and the organization in which the work is done, but which exploits more fully the potentiality of survey techniques. Suppose, for example, that the management which we cited above sponsored a research project in order to discover what factors were associated with worker attitudes toward the company. Let us assume that it was

found that magazine articles about management's philosophy and goals had no effect on worker attitudes, but that there were systematic differences in worker attitudes toward the company among the subordinates of different foremen, reflecting the communications skills of the supervisor. A management confronted with such research findings might decide to abandon its efforts to communicate through the house organ and instead to invest the same energy and resources in attempting to improve the communication skills of the foremen. This would be an example of a policy revision set in motion by a research project which performs a diagnostic function rather than merely a procedural evaluation. In contrast to research at the first level which tends to be descriptive or "meter-reading" in its approach, research capable of utilization at this second level tends to be relational. The results are likely to be stated in the form of correlations or other relationships between variables and the emphasis is on the causes and consequences of behavior rather than merely on its description.

3. *The utilization of research results to alter major functions of an organization.* This is the least direct, and probably the least frequent of the uses of research to which we will refer. Moreover, it occurs for the most part not as a result of forces generated within the organization, but rather as the end result of a process which includes the utilization of research findings by outside groups.

No organization exists in isolation. Each organization, whether a company, a union, or a civic group of some sort exists in a context of other organizations to which it bears various relationships. Some it attempts to influence; some attempt to influence it. Some it supports, and others it opposes. The results of research once completed (except for the occasional "confidential" project) are public property. The research findings themselves enter the public domain, and thereafter they may be used by any individual or organization which believes that they will assist in the achievement of its goals.

Consider, for example, the various medical researches which demonstrated the relationship between lack of proper ventilation in mines and the incidence of silicosis among miners. These research findings had their effect on the general public, on the action of legislative bodies, and ultimately on the policies of the mining companies themselves. The research findings were utilized by organized labor to compel the attention of the legislators and the public to the injurious effects of working in poorly-ventilated mines. It would, of course, be naïve to argue that it was the physiological

research findings alone which brought about the change in management policy. Nevertheless, the utilization of these findings by action groups gave them a major impact on organizational policy; or to put it the other way around, the research findings strengthened the hand of those groups in the industry and outside it which were trying to bring about changes in mine policy.

We have attempted to conceptualize the implications of survey research for organizational policy in relatively broad terms, suggesting that the character of the research problem and the manner of its treatment will be major determinants of the level of utilization within the organization. This three-level scheme of utilization is admittedly an over-simplification. There are no precise definitions for such terms as procedure, policy, or major organizational function. It may be more accurate to regard these three "levels" as convenient break points on a continuum of utilization potentialities.

Moreover, there are intra-organizational factors which have an important bearing on the level of research utilization, quite apart from the character and content of the research itself. The complexity and rigidity of the management structure are among such factors. For example, the presence of research specialists in management can facilitate the introduction of research findings and maximize their impact.

The characteristics of individual organizational leaders are also important. Some people have a great deal of the courage which is required for making innovations and breaking with traditional ways of doing things. Others are comfortable only to follow in the paths which are already well established.

A related factor is the heterogeneity of the top leadership group. If there is real diversity of opinion among organizational leaders, there is the possibility that research findings which challenge existing policies will be seized upon by a sub-group in order to add weight to their arguments.

The utilization of research findings in an organization depends also upon the liaison skills of the researchers themselves. Research findings do not have any utilization in organizations unless they are introduced by individuals. Leaders of organizations are more likely to accept attempts at influence from a person whom they perceive as supportive, technically competent, and understanding of their organizational requirements. They will resist attempts at influence from a person who is judged to be insensitive or hostile.

### *III. Cases*

This section of the paper will consist of case material illustrative of the impact of social research at each of the three levels specified above.

1. *The utilization of research to evaluate the implementation of existing policy.* In the years shortly before World War II, a large company decided to establish a retirement plan for its employees. The plan was "non-participating," with the company bearing the entire costs. In many respects the plan was generous for its time, and the top management and board of directors of the company had some difficulty in reaching agreement that the extra expenditures of initiating the plan should be assumed. Clearly, the adoption of the plan represented a considerable change in the company policy. The plan was finally adopted, however, and bestowed upon the employee group. As the years passed, management noted occasional indications that employee satisfaction with the retirement plan was much less than they had hoped. The unions also reported evidences of employee dissatisfaction. In 1948 the Survey Research Center conducted a company-wide survey of employee attitudes in this organization. Among the findings was the fact that only 29% of the employees were satisfied with the company's retirement plan. This finding was received by management with considerable concern. That employee satisfaction should be so low with a program which represented the expenditure of millions of dollars annually seemed illogical.

The survey findings gave some indication also of what aspects of the plan were responsible for worker dissatisfaction. Certain features of the plan were designed for actuarial efficiency rather than to meet human needs. For example, membership in the plan started at 30 years of age. This provision was made to take into account the high turnover characteristic of younger employees. This age requirements, however, was especially irritating to those young employees who came to work for the company immediately or shortly after their graduation from high school. For the boy or girl who thus entered the employ of the company at 18 years of age, there was a period of 12 years during which he received no credit toward retirement for his service. If the young high school graduate compared his own situation to that of college-trained employees who entered the company in their mid-twenties, he found another source of irritation. The college-trained man, who was seen as getting preferential treatment in regard to promotion, was seen as being advantaged also in relation to the



retirement plan, in that he became eligible only a few years after joining the company.

Another provision of the retirement plan which was responsible for some dissatisfaction among certain employee groups was the formula for determining the amount of retirement pay. The amount of retirement pay was computed on the basis of the employee's earnings during the last five years of his employment with the company. This provision had been made on the assumption that for most employees the terminal years of employment would be the years of highest salary. However, for men doing some of the most strenuous jobs in the organization, men who were in a sense the elite of the work force, the last five years were likely to be spent on less active and physically demanding jobs. Transfer to such jobs was frequently accompanied by a reduction in rate of pay.

In accordance with the policy of the Survey Research Center, these research findings were made available both to management and to the employee unions. On the whole, the union reaction was that their opinions about the retirement plan had been confirmed. The reactions of management were mixed. They felt that perhaps employees did not really understand the retirement plan, and that management had failed to communicate adequately its provisions. Accordingly, a number of group discussions were scheduled in order to improve communications regarding the retirement plan. These conferences proved to be communications opportunities of a two-way sort. Management discovered that many of the employees who were least satisfied with the retirement plan were nevertheless well informed regarding its limitations. It was therefore decided to obtain as many individual suggestions as possible in the course of these group discussions, in order to bring about improvements in the plan. The material which was collected in this way confirmed and amplified the survey findings. Management thereupon decided to make changes in the retirement plan which would meet the needs which employees had expressed. Membership in the retirement plan began immediately on permanent employment with the company, and the formula for computing retirement pay was based upon the five years of peak earnings in the employee's career, at whatever point those may have occurred. Subsequent studies of employee attitudes toward the retirement plan in selected departments indicated that very sharp improvements had been achieved. The proportion of employees who expressed complete satisfaction with the plan went up by approximately 30 percentage points. Management concluded that the sub-

stantial costs occasioned by the changes in the retirement plan represented money well spent.

This is an example of research in the service of an existing company policy. The management policy decision to provide an employee retirement plan had been made before the research and continued unchanged. The contribution of the research was to bring about revisions in certain provisions of the plan, which brought it into better alignment with employee needs. Procedures were changed; policy was not.

2. *The utilization of research to modify specific policies.* The case which we have chosen to illustrate the potential implications of research on company policies has to do with the problem of cost-concern among first-level supervisors. The management of one large company had suspected for some time that its first-level supervisors had relatively little concern about the costs of their own operations or about the total cost picture of the organization. We decided to incorporate a study of this problem into a larger project which we were then conducting in this organization, when we became convinced that the cost-concern variable might be a uniquely important characteristic of this company.

We proceeded to study the extent to which first-level supervisors in selected departments were concerned with the costs of their own operations, and the factors which were related to these supervisory attitudes. The results of this analysis can be summarized in terms of four relationships: (a) The first-level supervisor is more likely to be concerned with and sensitive to cost problems if his own superior is also concerned about costs; (b) the first-level supervisor is more likely to be concerned with problems of cost if his own superior expects him to have an interest in and to be concerned about costs; (c) the first-level supervisor is more likely to be concerned with costs if he has major responsibility for spending money budgeted to him, and is given responsibility for the costs of his own operations; (d) the responsibility of the first-level supervisor for costs is in turn related to the extent to which his own superior involves him in departmental decisions, especially decisions relating to budgetary matters.

A brief examination of these basic findings is sufficient to make it clear that some of them have implications only at the procedural level, while others have policy implications. For example, the finding that the concern of the first-level supervisor for costs depends in part upon the expectations of his superior can be implemented without

going beyond the procedural level. The first-level supervisor can be subjected to increasing pressure by his own superiors to be "cost-concerned." Those findings, however, which show that the supervisor's cost-concern depends upon the extent to which he is involved in budget-setting decisions, the extent to which he has autonomy regarding the expenditure of company funds in his own work, and the extent to which he is brought into the decision-making process at the departmental level—all these have clear policy implications. For management to implement these research findings it would be necessary to modify the policies of the company regarding the sharing of information on fiscal matters. In addition, the granting of major responsibility to the first level of supervision on these matters would represent a real policy change with respect to the distribution of power within the management structure. In the company where this research was done, there have been some early efforts at the utilization of these research findings. These efforts have taken the form of information and training rather than basic changes in responsibility. However, in another company these same findings have been used more fully with monthly information on fiscal operations made available to first-level supervisors. The management of this latter company reports significant reductions in operating costs following their program which built on these findings.

3. *The utilization of research results to alter major functions of an organization.* We have chosen two examples to illustrate this level of research utilization. Before turning to these examples, it may be well to recall that survey research had its origins in attempts to change major functions of organizations—that is, in movements of social reform. Social surveys in Britain and the United States at the turn of the century were designed to provide facts which would arouse public opinion and become the basis for developing new social policies. Such an orientation toward social action is evident in the earliest efforts of social surveys. Consider, for example, John Howard's<sup>1</sup> count of the number of prisoners in London jails who had been found not guilty but lacked the fee for delivery, or Frédéric LePlay's<sup>2</sup> analysis of the budgets of European workers' families. When Charles Booth attempted, by means of objective social data, "to show one-half of London how the other half lives," he did so "to lift the curtain of

<sup>1</sup> Howard, John. *The State of Prisons in England and Wales, with Preliminary Observations and an Account of Some Foreign Prisons*. William Eyres, Warrington, 1777. (Fourth edition by John Aikin, London, 1792.)

<sup>2</sup> LePlay, Frédéric, *Les Ouvriers européens* (6 vols.). Imprimeries Impériales, 1855.

misery and depravity but above all to bring facts before Parliament and to help social reformers to find remedies for the evils which exist. . . ."<sup>3</sup>

For our first example, let us consider the changes which have come about in the functions of business organizations in providing for workers after they have left the employment of the company for reasons of age or disability. Within a single generation we have seen a change from a situation in which the concept of income maintenance was regarded as entirely outside the functions and responsibilities of the company to a situation where today most major employers of industrial labor provide pension benefits in addition to those provided by the federal government. Moreover, they accept this function as appropriate to their organization and its role in society. We do not mean to suggest that research findings in themselves had a compelling influence in bringing about these changes. It would be difficult to imagine a set of research findings as influential in this context, for example, as the 108-day strike at Chrysler in 1948 over the pension issue. Nevertheless, the traces of research and the product of many individual and group researches can be discerned in this process of social and organizational change. One of the major arguments against the establishment of pensions for workers in industry was that the creation of a pension system would so impede the mobility of the worker and so anchor him to the company in which he had pension rights that there would be created, in effect, a new population of industrial peons. Research data on this question showed that organizations which had pioneered in the initiation of pension plans had rates of turnover which were within the normal range for their industry.

To take a more current example, the discussions of the principle of Supplementary Unemployment Benefits represent another instance of potential change in the basic functions of business organizations. At one time it would have been unthinkable that it was a function of a private corporation either to provide continuous employment for the worker or to make appropriate provision for maintaining his standard of living when continuous employment could not be provided. Today the principle of Supplementary Unemployment Benefits is being urged vigorously by some unions, accepted by some managements, but rejected by others. In the meantime, research on the adequacy of government-provided unemployment compensation, data

<sup>3</sup> Booth, Charles, *Life and Labour of the People of London* (17 vols.). The Macmillan Co. (London), 1892-1897.

on minimum requirements for family maintenance, and data on the financial ability of private corporations to make such provisions for income maintenance are being collected both by union and management research groups.<sup>4</sup>

#### *IV. Survey Research and Social Values*

In this section of the paper we will examine the place of the researcher and his research in relation to social values. We can begin by asserting the inevitability of value choices in social research and their importance in determining both the potential level at which research may be utilized and the actual uses to which it is put. In the choice and definition of topics for research, in the methods and manner of research on those topics, and in the interpretation and utilization of research results, the values of the social scientist as well as those of the subjects and sponsors of his research have an important influence. We believe, moreover, that this statement would be true of research at any of the three levels previously described—procedure, policy, or major function.

At the first level—procedural research on existing organizational policy—the researcher plays virtually no independent role with respect to the value implications of his research. Rather, he accepts implicitly or explicitly the existing values and policies of the organization in which his research is conducted and, to the extent that his research is successful, it serves to maintain and strengthen those values.

It is possible, of course, that research of this character will be picked up by action groups outside the sponsoring organization and will in this indirect fashion come to influence the policies of the organization. For example, a union may argue that since research has shown that only a relatively small proportion of employees read the company magazine, that management should discontinue this activity and put the resulting savings into wage payments. Or the straight-run finding that morale is low and worker attitudes negative in a given plant may be used by the bargaining agent to give added weight to its demands that the company make certain changes in administrative policies or conditions of work. Even these indirect forms of influence on company policy, however, are unlikely results from research of this first-level character. This is true partly because

<sup>4</sup> For illustrative material on this level of research utilization and for facts on relevant research on these topics we are indebted to Professors William Haber and Harold Levinson of the University of Michigan.

such research projects are typically done under private sponsorship and the results are usually not widely disseminated. The sponsoring company in some cases prefers to keep the results confidential but in other cases the lack of broader distribution is rather a reflection of the small scientific interest which such research evokes.

The researcher who is operating at the second level also accepts the basic value structure of the organization in which he works. His research questions not the major goals or functions of the organization but rather the means and policies which have been chosen for implementing those goals. We have said that such research usually is relational; often the criterion variables with which relationships are sought provide a cue as to the values involved in the definition of the research project. To be more specific, the fact that most social psychological research in industry involves such criteria as productivity, quality, absence, and turnover, reflects the values of the organization and its stress on industrial efficiency. Nevertheless, research at this second level more often affords the researcher the possibility of contributing to scientific knowledge.

Why should this be true? It is true because science consists very largely of determining the relationships among variables. The classic question of the scientist is not so much "What exists?" but "Why?". He seeks causes and consequences; his method in this search is the hypothesis that: If A, then B (at least under specified conditions). Therefore, to continue an earlier example, counting the number of employees who read the company magazine has virtually no chance of contributing to scientific progress. On the other hand, discovering the reasons *why* workers read or throw away the magazine has some potentiality for making a scientific contribution. The possibility of such a contribution is not assured but it does exist.

Whether or not such a contribution actually materializes from a given research project depends upon the creativity and conceptual skills of the researcher, and on his success in relating his concrete research findings to a larger theoretical system. The thousands of "morale surveys" which have been made in the United States since the mid-1920's illustrate this point. Most of these surveys fit the category of procedural research. They consist of straight-run measures of specific employee attitudes and are virtually without scientific value. They have some descriptive interest, although the descriptions are of isolated organizations at assorted points in time. They may even, if taken together, illuminate some trends in our industrial

history and contribute to the development of more fruitful research.<sup>5</sup>

A few morale surveys have attempted to discover factors associated with high or low levels of satisfaction. These have greater potential than the straight descriptive efforts, and they more often produce a meaningful scientific by-product. Most of these studies, however, fail to offer much in the way of scientific contribution because they consist of masses of correlations among items of uncertain conceptual meaning and theoretical significance.

The third level of research utilization which we have discussed involves change in the major functions of organizations. For research to have such potential uses, it must include some concepts outside the dominant structure of goals and values which characterize the organization. This means that such research usually will be done by persons outside the organization or by individuals within the organization who are partly outside the dominant organizational value structure. The contribution of such research to changes in major organizational functions is usually indirect and dependent upon the assimilation and utilization of the research findings by outside social-action groups. A significant exception to this is the use of such research by persons within the organization to initiate or strengthen their proposals for change.

At this third level the social researcher is, in effect, tying his efforts into the action of change agents in the larger community or society. The actions of such agents are of course beyond his control. Once the results of his research have entered the public domain, the researcher is virtually without control over their use. This is not to suggest, however, that he is without responsibility for the uses to which his research is put. Rather, the moment of his choice and the basis of his responsibility comes, not after the results have been published and are being utilized, but at the time when the research problem is chosen, the research design formulated, the research site agreed upon, the research sponsorship accepted or rejected.

*Value problems of the social scientist.* The scientist is confronted with a series of value choices which he must make regardless of whether his research is designed to have implications at the procedural policy or goal levels. These problems of valuation for the social scientist have been treated very insightfully by Benne and Swanson, who discuss them in terms of the three principal roles which the

<sup>5</sup> Merton, Robert K. *Social Theory and Social Structure*, Introduction to Part III, "The Sociology of Knowledge and Mass Communication," Free Press, 1949.

contemporary social scientist is called upon to play—researcher, expert consultant, and citizen.<sup>6</sup> While we are convinced that the value problems which confront the social scientist in his role as consultant and citizen are not easier nor less important than those which confront him as researcher, it is with the research role that we are primarily concerned in this paper. Benne and Swanson describe the social scientist's value choices in the following terms: "The social scientist must chose (1) the problems he will study, (2) the methods he will use for motivating, manipulating, and rewarding the people he studies, (3) the interpretations he makes of the data collected, (4) the place, time, and manner of publication, (5) the relationships, if any, he will draw between his work and that of his colleagues, (6) the kind of professional discipline by which he will be bound and which he is willing to force upon others, (7) the relationship he will establish with colleagues as members of a research team, as a professional audience, and as a group having a professional vested interest in his work and conduct." The first four of these are most relevant for our present discussion.

These are value problems which the scientist must solve in his research role, whether he recognizes them or not. How shall they be resolved? The answer to this question cannot be phrased in terms of "do's" and "don't's," specific admonitions to the scientist regarding the problems which he may work on and those he must avoid, the traps he must anticipate and the professional etiquette which he must follow. These problems raise the more basic issue of the relation of science to values. It is this issue for which the scientist must find a general solution which satisfies him, in order for him to be able to resolve satisfactorily the more specific value problems which confront him in his work.

One answer to this more basic question of the relation of science to values is what Benne and Swanson refer to as "the passion to decontaminate science from contamination with values." They explain the persistence and viability of this notion in the following terms: Such attempts are not "merely the expression of some ritualistic need by scientists for cold, hard data. Every scientist knew how easily and how dangerously his personal hopes and anxieties might enter the research process to reduce the validity and the reliability of the research product. He wanted to keep the 'human equation' away from his findings. If data could only be made to speak for themselves, all

<sup>6</sup> Benne, Kenneth D. and Swanson, G. E., "The Problem of Values and the Social Scientist," *Journal of Social Issues*, 6, 4, 1950, pp. 6 and 7.



would be well. And it is understandable that social scientists, with their lesser ability, compared with that of physical scientists, to make crucial and controlled tests of their hypotheses, should be especially sensitive to the dangers of choices and choosing.”<sup>†</sup>

This attempt at solving the problem of science and values proceeds on the assumption that, since values originate in the world of social realities, the scientist can, by removing himself as far as possible from that world, avoid contaminating his product with value choices. The ivory tower tradition of pure science, less honored now than in the past, stems from this point of view. It seems likely that the success with which this artificial removal of scientists from the social milieu can be achieved varies considerably for different branches of science. We might expect such a solution to be reasonably successful for a theoretical mathematician, but it is certainly less feasible for the social scientist.

The basis for rejecting the “solution” of isolation and decontamination for social science is two-fold. First, the world of social reality has important contributions to make to the quality of social science. Studying and living in the real-life, field situation provide important learning and insight for the social scientist. To the extent that he operates in isolation, deprived of these insights and self-correcting experiences in the field, he runs the constant risk of making his contrived laboratory situations unreal, of failing to capture in the laboratory the essential forces and variables which are operating in the field.

There is another reason, equally compelling, which makes the notion of a devalued, isolated social science unsatisfactory. That reason is, very simply, that the notion of such an antiseptic social science is a delusion. If we turn again to the listing of value problems which Swanson and Benne propose, it is immediately apparent that most of these problems remain with the social scientist regardless of the degree of isolation which he is able to achieve and regardless of whether he is in the laboratory or in the field. He still must choose and define the problems which he will study; the methods which he will use in his research still must be decided by him; the interpretations he makes of his own data are his responsibility. On what basis can the social scientist make such decisions except to draw on his own experience in the world in which he lives? This point has been so

<sup>†</sup> Benne, K. D. and Swanson, G. E., *ibid*, p. 3.

well documented by Mannheim and others<sup>8</sup> working with the concept of the sociology of knowledge, that it need not be elaborated here. It may be useful, however, to follow through the posing and resolution of these value problems in an actual research project.

We have chosen for this purpose an investigation by the Survey Research Center of the determinants of absence in an industrial situation. This study was conducted in a large electric light and power company, and was done as part of two larger projects in which we were investigating factors associated with attitude change. Attitudes and opinions were measured by means of questionnaires given to all employees in two major departments of the company—one predominantly blue-collar and one predominantly white-collar. The absence data were obtained by computing from company records an average absence rate for each work group for a six-month period.

For the university research group, this project offered an opportunity to study one of the essential requirements of organizational functioning. Any formal organization must have a continuing ability to attract and hold members. This means not only recruitment and the avoidance of high rates of permanent separation (*i.e.*, turnover), but also keeping within manageable limits the temporary withdrawal of members from the organization (*i.e.*, absence).

The willingness of members to remain in an organization—assuming some alternative choices are available to them—depends upon the extent to which their needs and expectations are being met. We expected that the extent of such need satisfaction would depend, in large part, upon social factors: the behavior of the immediate supervisor or foremen, and the behavior of other members of the work group. Other important factors were predicted to be opportunity for promotion, utilization of skills, and over-all satisfaction with the company.

The findings from this research project show clearly that men in work groups with lower absence rates were more satisfied with their supervision, their work associates, their wages and promotional opportunities, their jobs, and the company in general. More specifically, satisfaction with supervision was high in those groups where the men felt very free to discuss job problems with their supervisor, where the supervisor had time to talk over personal problems with the men, where the supervisor held meetings with the whole group on common problems. In addition, men in both white-collar and blue-collar

<sup>8</sup> Mannheim, Karl. *Ideology and Utopia*, New York: Harcourt, Brace, 1936. Merton, Robert, *op. cit.*

groups where the absence record was low reported that they felt they were really a part of their group, that their group had lots of team spirit, and that the group was better than others in sticking together to get what it wanted and to get the job done. Absences tended to be less frequent, also, in groups where the men reported that they were given a chance to do the things they were best at, where they had opportunities for promotion to better jobs, and where they were satisfied with their present wages.

With this example in mind, let us consider the research design and the interpretations which were made, in light of the value problems listed earlier.

1. *Selection and definition of the problem.* In choosing to investigate the determinants of absence in an industrial situation, we chose a problem which fitted both the values of management and those of the research group. From the management point of view, any insight which leads to increased ability to control or reduce the rate of absence is a means also to increased industrial efficiency. From the point of view of the researcher the ability of an organization to attract and maintain its membership is a criterion of organizational functioning so general and so basic that the discovery of its determinants becomes an important scientific task.

The results of this research project could be utilized at all three of the levels described in our conceptual framework. The company might utilize research findings on absence at the procedural level, by emphasizing directly the importance of regular attention to absence. It might utilize the same research findings to revise supervisory practices, and to create an interpersonal environment in which better attendance would occur as a by-product of greater need-satisfaction. Finally, such a research project might have implications at the third level of utilization because it deals with a problem which must be solved by all types of organizations regardless of their goals, and because the findings are made available through the scientific literature.

It is not enough, however, to recognize that the social scientist must choose the problem which he will study and that his values enter into the choice. The social scientist defines and creates as well as chooses the problem which he will study. In the absence study, for example, it was a decision of the research group to search for the determinants of industrial absence in such factors as the skills of supervision, the character of informal group life and the adequacy of the rewards which the larger organization offered to its employees. This, in effect, defines the problem of industrial absence in terms far

different from the examination of such individual employee traits as loyalty, responsibility, personal adjustment, family life, and extra-curricular habits. Thus, the researcher's way of conceptualizing the problem which he will investigate and the mode of analysis which he utilizes reflect his values, as does the initial choice of the problem itself.

2. *Motivation of research subjects.* In a research design of this type—a survey in a field setting—the motivation of subjects is limited to getting them to fill out a paper-and-pencil questionnaire. This was achieved primarily by eliminating the threat of adverse consequences to subjects because of the expression of negative opinions. Additional motivation to participate was achieved by reliance upon the subject's interest in contributing to the development of social science and in cooperating with a research team from a state university. The researchers also promised that the basic results of the survey would be available to the subjects and to the employee organizations, as well as to members of management.

3. *Interpretations made of the data collected.* In our opinion the interpretations of results which a scientist can justifiably make do not consist of a speculative, valuational commentary, but are largely determined by his initial definition of the problem and his specification of research design. In the absence study, the research design made it inevitable that interpretations would be in terms of the adequacy of supervisory policy, the sufficiency of rewards, and other organizational variables, rather than in terms of the responsibilities, personal traits or inadequacies of individual employees.

4. *Place, time, and manner of publication.* In the absence study, decisions on such matters as these were determined very largely by the policies of the Survey Research Center. The presentation of results was made first to those persons directly concerned with the research project. This included the management of the electric light and power company, and the leadership of the unions which represented employees in this company. Immediately thereafter, through a series of informal discussions throughout the company, the major results were made available also to employees. Outside publication of the findings came subsequently and took two main forms—publication of the more generalizable results in a technical article in one of the psychological journals, and publication of a more popular version in a booklet available to the general public.

### *V. Conclusions*

From our examination of the impact of survey research on organizational procedures, policies, and functions, and of the crucial value problems with which the social scientist is confronted, one basic point emerges—the inevitable interrelatedness of social research and social reality. Research affects and modifies social reality in the ways and at the levels which we have already described—by bringing about alterations in organizational procedures and policies or by becoming part of a deeper stream of cultural change which serves to modify the goals and functions of organizations. At the same time, we have emphasized the context of social reality in which any research project arises and we have insisted that, directly or indirectly, this cultural milieu influences strongly the character of the research. This we believe to be true regardless of the efforts of the individual researcher to remove himself from the social scene and regardless of the site which he chooses for his research.

Rejecting as unrealistic the possibility of the scientist taking flight from social reality, we have argued instead that the researcher must accept the influence of his own social environment on his research and that he must face consciously the value problems and make the value choices which such reality makes necessary. As Benne and Swanson point out, some social scientists make such decisions by default, either because they cannot recognize the decisions as presenting value problems or because they find the culture of their society and the traditions of their profession have made the decisions for them. We are insisting, instead, upon a sometimes painful process of making the value problems explicit and of making explicit also the basis for the chosen way of attempting their solution. In making such value decisions, the scientist necessarily behaves as if the values on which he bases the decision were “given” and absolute. Operationally, we consider this to be necessary and unavoidable, at least in short-term perspective. In longer run terms, however, we do not believe that values should be considered absolute nor that they are susceptible to abstraction from social reality.

We do believe that values are relative and that they are susceptible to scientific research. Points of view held as values are capable of proof or disproof, provided that the scientific means are at hand for creating such a crucial test. A value, in other words, is not something which is beyond proof or disproof.

Whether this is true of all values is a difficult philosophical ques-

tion and one which need not be solved in order to make the point which is relevant here. It is sufficient for present purposes that a large proportion of the statements, assumptions, and relationships among objects which men hold as values at one point in time can be (and have been) found at other times to yield to a scientific method. Under the most favorable circumstances, however, there will be a considerable lag between the decisions which the scientist must make and the scientific evidence available to guide him. We cannot imagine circumstances in which the choice of problems, the formulation of concepts, and the selection of subjects will not involve value judgments as well as the marshalling of appropriate scientific evidence.

It is necessary, therefore, to think in terms of two kinds of solutions to the value problems which the scientist faces. One of these is an ultimate solution, a long-range solution which involves the gradual movement of items from the category of value assertions, unproved and unprovable, to the category of scientifically demonstrated facts. Through such a process, we believe, it will be possible to build a science of values.

There remains, however, the necessity of a short-range solution. The scientist who must decide today what problem he will next investigate will receive little help from the long-range possibility that a science of values will be created. He must accept the necessity of making value choices and he must accept as well the fact that in making these choices he will be influenced by the selective aspects of the real world which are within his experience. Such influences he cannot avoid. He can, however, and should, attempt consistently to examine the value bases for the choices which he makes. He must also accept a responsibility to scientific colleagues and to the consumers of his research product, for communicating those values with the greatest insight and frankness of which he is capable.

## DISCUSSION

KARLTON W. PIERCE

*Ford Motor Company*

The conceptual framework which Drs. Kahn and Mann suggest as a way of looking at the impact of surveys on organization policy certainly is realistic. I have no difficulty assigning the various research projects within Ford Motor Company to one or another of these different levels or at least saying "in that case, it's a combination." For as they noted, in many instances it is difficult to clearly assign a particular research project to one level or another. And I am not sure that it is important. What they have done is to provide us with some guide posts which will assist in clarifying our thinking.

Also, I suspect that, at times, research which may be designed to operate in one of their levels results in action at an entirely different level after the study is completed. For example, a study intended merely to evaluate the implementation of an existing policy may reveal that the policy needs modification. And most of us have experienced situations where research which we planned would be "earth-shaking" has ended up in a file drawer, or at least has only served to aid the evaluation of existing policy.

In professional circles, particularly (perhaps) among social scientists, there is a danger of a piece of research being judged by the level for which it is intended. This is a matter of the values held by research people. A widely known instance of such values is when the "pure" scientists sniff at "applied" research and, conversely, when the practitioner speaks sarcastically of the "ivory tower." Probably Drs. Kahn and Mann did not intend it, but I think portions of their paper could be interpreted as suggesting that research which results in the altering of basic goals or functions of an organization is more commendable than research which evaluates the implementation of existing policies. I would like to suggest a caution in this regard. As they noted, even research which alters basic goals operates within an external value system. Any ranking of research at one level as being more important than another level depends upon an individual's values.

In order to emphasize this caution that research at all levels can have value, I would like to illustrate how research far removed from basic social organization can be judged worthwhile. From the value system of a large, and we think "progressive" corporation, evaluating

the effectiveness of a policy is the essence of sound organizational control. Modern businesses use every available tool to measure organizational effectiveness. This certainly is one of the major facets of the change in the management of Ford Motor Company in the last 12 years. For example, we have elaborate cost accounting procedures, we have established standards of performance against which to check actual performance, we are continually comparing what might be called "experimental" and "control" operations, and we are comparing a component's operation "before" and "after" some change. This continuing appraisal is very important to the success of the organization in achieving its goals. If social science can give us useful techniques for getting additional control information, it is making a real contribution to the success of the organization and, we believe, to the success of the American social and economic system. This contribution is not any the less real and worthwhile because it happens to be less spectacular than some other research.

Within Ford, we have had many instances of this control function of the survey technique being most helpful. For example, in one plant a substantial proportion of first-line supervisors stated that they were reprimanded in front of their employees for various acts which higher management disapproved. Needless to say, Ford does not believe this is the proper way to correct anyone, let alone supervisors. Because of the survey, intensive informal and semi-formal efforts were made to correct the poor practice. These have been effective in improving the attitudes of supervisors.

Also, we have found that practices are modified as a result of survey findings. Foremen now receive advance notice of anticipated style mixes which will require additional manpower. Previously, no advance warnings had been given. A small item? Yes. Specific to a particular problem? Yes. But very important if America wants two cars in every garage.

There's another function of the control type of technique. This was brought home forcefully to us recently. As you well know, industrial relations is at present not an exact science. We had a location where division management felt there were a lot of things that weren't going well. As we presented the results of our survey, the division people kept muttering "that certainly confirms our hunches," and "just what we thought was happening." This communications use of surveys served a different purpose in another location where is served to free up the flow of information between lower supervision and plant management. The plant manager could not believe the survey



findings. But in the "feed-back" meetings with him and the supervisors his supervisors confirmed for him the survey findings. Before the survey, they'd been afraid to tell him.

As you have probably gathered, I see nothing wrong with conducting research at any or all of the suggested conceptual levels. Research at all levels can be significant.

Drs. Kahn and Mann very thoughtfully discussed several value decisions which all researchers must make. I want to comment on one or two additional points which are also concerned with values—perhaps in the ethical sense of the word. It seems to me that regardless of whether we work for a union, a university, a government, or a company, we have a clear responsibility as researchers to scrupulously adhere to scientific interpretation in conducting research. The loaded question, the biased sample, the unwarranted conclusion must be avoided. Sometimes the pressures to prostitute our techniques are great, but faulty information is not likely to contribute to progress. We can and must be loyal to our organizations and yet remain true to the limitations of our scientific methods.

Drs. Kahn and Mann cited instances where findings of company-sponsored research were made available to interested unions and the results used to further union objectives. This brings up the question of confidentiality of survey findings. Scientists generally endorse the widest possible dissemination of findings. But other values sometimes over-ride the urge for wide exchange of knowledge. For example, relatively few people argue that we should provide other countries all findings relative to atomic energy. In the industrial relations field, the sponsor of research may (1) discover items he would prefer to remedy without outside assistance, (2) determine some admittedly poor situations on which he, for good reasons, would prefer not to act at the moment, (3) realize that some findings are ambiguous or tentative and subject to misinterpretation unless accompanied by a full explanation. In any of these situations, other values may over-ride the scientific desirability of even limited publication of research findings. I suspect that these considerations are not peculiar to management, but are familiar to all organizations, be they management, union, government, or other.

I might add that if social research demonstrates its worth as a control to management it may well become organization "policy" to check or review decisions through such control techniques much more than is the case today. Such a development would in itself be an impact of surveys and research on policy determination. I would

like to discuss this point for a minute more. Surveys and research, if properly done, result in both fact and "hunches" (or, to be dignified, "hypotheses"). People who make decisions are becoming more and more inclined to want to know as many facts as possible about a subject before reaching a decision. If researchers can clearly separate facts from hunches and can explain this separation clearly, I feel that decision-makers' acceptance of surveys and of social science research in general as a tool for use at all of Drs. Kahn's and Mann's levels will continue to increase.

HERBERT G. HENEMAN, JR.

*University of Minnesota*

If we need proof that the field of industrial relations is in its infancy, it is amply demonstrated by the discussions we are having today on "Uses of Survey Research in Policy Determination." We are decades behind the natural sciences because of the reluctance of so many self-styled "social scientists" to get out of their comfortable armchairs and grapple with the world of reality. I think we all owe a vote of thanks to the University of Michigan Institute for Social Research for their measurement ventures in real-life situations where variables don't *have* to behave—where variables seemingly defy "control" in either the laboratory or postulate sense. We at Minnesota also are bending our efforts in the same general direction as the Michigan group in making surveys of both employees and union members. Our quest, however, is directed more toward determination and verification of "principles" and relationships, and less immediately directed toward policy and/or organizational implementation and change.

Surveys are an important tool of objective research. Often, however, they are designed to produce measurements that are more descriptive than analytical. And with this I do not quarrel, for we desperately need order, description, classification and quantification if we are to advance knowledge and understanding in industrial relations. We need data and facts of the most elementary nature, and we do need theoretical constructs to guide our measurement efforts. But it is high time to recognize that our proportions of theorists and measurement people are badly out of balance, in that we have way too many generals and not enough soldiers.

We need more surveys and we need better surveys. However, surveys have an inherent weakness in that they are easy to do. Some

areas of social measurement are particularly easy as demonstrated by the thousands of employee attitude surveys and studies using college freshmen and other captive audiences as norm groups.

Surveys have several major uses, as suggested by Kahn and Mann. My interpretation of their paper is that they place emphasis upon "diagnostic" uses of a most pragmatic type. Perhaps because I am a pragmatist, I endorse their approach. I like problem-centered research. I, too, like the feed-back principle employed by the Michigan group. I honestly doubt, however, with the state of verifiable knowledge in industrial relations, that we have much of demonstrated significance to feed back. How can we make recommendations for "corrective action" when we are so ignorant?

Hence I would like to see much more emphasis than Kahn and Mann give in their paper upon use of surveys in research. We need basic research to test and demonstrate relationships—to expand our fund of general knowledge. I don't think we'll get such understanding through case studies, either of the Harvard or National Planning Association variety. They tell us what we already know, that "circumstances alter cases." Nor do I think we will advance measurably our general knowledge in industrial relations by "souped-up" (using statistical analysis) case studies of the type say, "in a railroad group, it was found that . . .", "whereas, in an insurance group it was found that . . .". Such studies can be comparable and additive, but too often they are not. Nor is the situation saved by advancing *ex post facto* rationalizations and additional hypotheses gained through descriptive rather than analytical insight. Our surveys too often are poorly designed and too often emphasize an individual firm as the basic unit. They need to be additive, and comparative, and analytical.

The root of the problem lies in the immense variety and complexity of variables in the social or employment nexus. Kahn and Mann select groups of variables for study based upon their extensive knowledge, insight and experience. No student can avoid such value judgments, although many appear to attempt the impossible. We've had too many "impossible" surveys that appear to regard employee opinions as existing in a vacuum. Or as another example, students grind out "indices of cohesiveness" in sociometrics without seemingly caring about what difference it makes if you have more or less cohesiveness.

In my opinion, we're dodging the tough nut of social science measurement, namely, relationships of policy and practice to yard-

sticks of their effectiveness. It is my further opinion that we need to move in on this matter of yardsticks or criteria with much heavier ammunition. I, for one, am not satisfied to have a group of men *rate* productivity of section gangs. This dissatisfaction with criterion measurement is not a well-kept secret. But the criterion problem is like the old saw about the weather—"everybody talks about it, and nobody does anything about it."

Many of us who are measurement people appear to have a defeatist attitude on this criterion problem—we take an almost mystical delight in mumbling something about, "Social problems are different—social relationships are complex. We need to demonstrate the usefulness of social surveys to gain acceptance. Let's show results at once."

I repeat—I am a pragmatist. But I seriously question our ability to demonstrate "results" at this time. To show results we need quantified, additive studies of multiple relationships between and among industrial relations policies and practices (in firms, unions and government) and yardsticks or criteria. These can be studied through matrix-type multiple analysis.

The first stages should be descriptive to permit classification and quantification of variables. When we discuss relationships of selected variables with "productivity," the term "productivity" should not have a diversity of definitions. The term "human relations" affords another prime example of non-standardized definition. It means all things to all people—even scholars can't agree on an approximate standard definition. Indeed, it is my firm belief that we should abandon the term "human relations." Measured relationships among elastic variables add only confusion to our already meager fund of knowledge. Following adequate definition and classification of variables, we can seek to measure relationships. When we have obtained demonstrable, verifiable relationships, *then* we can consider the uses of survey research in policy determination.

Hence, I would disagree with the emphasis Kahn and Mann place upon using survey results in policy determination *at the present time*. In our present state of knowledge of *relationships* we can only prescribe bromides and panaceas based upon hunches and incomplete knowledge. We are critically ignorant of either principal or side effects of our nostrums.

In all fairness, Kahn and Mann suggest much of what I have been saying, in their excellent paper. In closing, I would like to re-emphasize the need for using surveys in *research* and de-emphasize the

desirability of using surveys for *policy implementation*. In my opinion, we need *more* measurement of substantive relationships and fewer policy or programmatic prescriptions, at present. We need fewer studies of symptoms and more knowledge and understanding of basic relationships among variables (industrial relations), so that our policy recommendations won't haphazardly kill the patient. Along the way, perhaps, we can give *limited* diagnostic advice to groups and organizations cooperating in our surveys. But only through using surveys primarily for research rather than policy recommending purposes can we be in a position to give sound recommendations for policy.

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The most important section of the Kahn-Mann paper, in my opinion, is that in which a conscientious effort is made to come to grips with the problem of social values in survey research.<sup>1</sup> Its basic weakness is that the question of social values is dealt with largely as a subjective matter. Only occasionally is there even suggestion of the outside forces that impinge upon and, all too often, determine the choices that the researcher makes. There is not a single direct reference in the paper to the power relationships in our society, although these relationships—except for a minority of unusual personalities and congenital non-conformists—mold the social values of the researchers themselves and fix the framework of values within which they operate.

The question of power relationships and the role of the social scientist has been dealt with so ably and so searchingly by Professor Kornhauser that I am embarrassed by the necessity to get into it myself in his presence. Perhaps the most useful service I can perform here is to recommend a reading of his lecture on the subject which, I understand, will soon be published.

Because Kahn and Mann fail to recognize the significance of power relationships, they present an over-optimistic picture. For

<sup>1</sup> It should be understood that this is a discussion of the Kahn-Mann paper and not of its authors or their work. They obviously share my own view of the need for more emphasis on what they call "third level" research. It is unfortunate that they are not given the opportunity to do more of it. This paper is, in part, an attempt to explore some of the reasons for the scarcity of such opportunities.

the short run, they hold out the hope that the researcher will be conscious enough of his values to examine them and to make them explicit. This ignores the fact that the dominant values are deeply rooted in the power structure of society. The self-examination and self-exposure called for in the short run are, unfortunately, beyond the competence of most human beings. They require a degree of consciousness of, and a capacity for resistance to subtle pressures that are not easily come by. As Professor Kornhauser has said:

"Social science is carried on in society as it exists. The social scientist grows up and becomes a social scientist in a climate of opinion from which he absorbs the facts of life. He observes what types of scientific endeavor are facilitated and rewarded, what activities are frowned upon, considered suspicious, or radical—and with what consequences for the scientist's career. He has before him the model of safe, respectable, and often interesting and important work of his teachers and other senior scholars. Not unnaturally he sees a future by following in their footsteps. Moreover, not only the example but also the power position of these successful men in his chosen profession helps shape his own goals. And needless to say, these power figures—whether in university, government, or industry—have rarely gotten where they are by scholarly work that antagonized any influential elite. The general point is that direct pressures and overt controls are not required to steer young social scientists away from 'dangerous' research areas. Other more positive inducements direct them toward attractive alternatives."

In these circumstances, the overwhelming probability is that the social researcher, consciously or unconsciously, will accept as given the dominant values of the society—the values which support the existing distribution of power, wealth and privilege. The researcher will frequently be unaware that alternative values are even possible. Many of those who might be able to suggest possible alternatives will hesitate to do so for fear of being branded "unsafe," "radical" or even "subversive." The researcher, therefore, will not readily recognize which of his implicit premises are value judgments, which require examination and explicit statement, and what questions to raise concerning them.

This is all the more apt to be true because most researchers come themselves from backgrounds in the relatively favored groups of our

society where the dominant values are in harmony with self-interest. They, therefore, lack motivation to question or challenge those values.

Even if they consciously seek to purge themselves of the prejudices of their backgrounds, they find themselves faced with a task that assumes almost superhuman proportions. How does the budding scientist who has spent the first 20-odd years of his life in comfortable and secure middle class surroundings set about acquiring the view of the world that presents itself to the child of poverty-stricken working class parents?

Yet, unless the young scientist of middle class origins can really put himself in the place of a worker, he cannot actually be truly objective in certain types of investigations. For example, he will not be able to do justice to a study that requires equal understanding of and sympathy for the interests and values of workers on the one hand, and those of his own middle class confreres on the other.

One partial solution to this problem, I suppose, would be an adequate scholarship program that would assure to all competent young people, regardless of the economic status of their parents, equal opportunity to become social scientists, so that working class values could play as prominent a role in social research as the values of the so-called "upper classes." Even this would be only a partial solution because, among other reasons, the educational system that prepares the child of working class background for a career in social science will probably indoctrinate him in the dominant system of values.

Most important, the young social scientist who succeeds in preserving his work class values intact, will soon find that he has little chance to apply them. This flows from the influence the existing power structure exerts under the present system of financing social research, including the influence of the business dominated boards of trustees of the foundations. The inescapable fact is that social research is costly, and someone must pay the bill.

The researcher, unfortunately, does not offer his talents and training in a market where all systems of values compete on an equal basis for his services. Kahn and Mann acknowledge, for example, that management is "occasionally an extravagant buyer" of research into industrial life, while unions are "less endowed with . . . research dollars." Nor do researchers as a group face such an excess of demand over the supply of the services they offer that they can equalize the situation by careful and balanced selection from among the prospective purchasers. In fact, supply substantially exceeds

effective demand. The researchers, therefore, are in competition with each other to devise, package, and sell research proposals made as attractive as possible to those who happen to have the money to pay for research. Since the availability of money for spending on such luxuries is one of the indicia of power in our society, it follows that, with rare exceptions, the successful proposals are those that fit within the dominant value system and which tend to reinforce it.

The decisive choices among values, therefore, are for the most part made not by the social scientists but by their sponsors. The Kahn-Mann paper notes that, in the study made for an electric utility company, the research group chose to look for the causes of absenteeism in such factors as the skills of supervision, the character of informal group life and the adequacy of the rewards which the organization offers to its employees rather than in employee traits such as loyalty, responsibility, personal adjustment, family life, and extra-curricular habits. This certainly was a sound and commendable choice. But what if the utility company had insisted on the opposite approach? The only area of choice open to the research group would then have been between abandonment of the sponsorship and the study or acceptance of the company's dictates.

Kahn and Mann say in this general connection, "The researcher's way of conceptualizing the problem which he will investigate and the mode of analysis which he utilizes, reflects his values, as does the initial choice of the problem itself." This is hardly a picture of the real world in which, it can be stated as a general although not universal rule that—through direct initiation or through selection from among the wares offered by competing researchers—sponsors, and not researchers, make both the initial choice of the problem to be studied and exercise veto power over the concepts to be applied.

This certainly is at least one of the reasons why fundamental research is largely neglected while purely administrative research engages the major attention of the social researchers. (Under "administrative research," I include both of the first two levels described in the main paper—"meter reading" with respect to implementation, and the testing of alternative *procedures*. The examples given for the second level seem to me to make "procedures" a much more appropriate word than "policies.")

Administrative research at both of the first two levels is definitely manipulative research in the dictionary sense of "manipulate," which is "to manage . . . artfully or fraudulently." Such research seeks ways to enable management more effectively to seduce workers into



accepting managerial values and aims as their own. It deliberately avoids such questions as whether the company magazine is giving the workers an accurate picture of management and its aims; or whether it is proper for management to use its authority to attempt to impose on a captive audience of workers (through either foremen or company magazines) self-serving managerial notions or theories. Those engaged in administrative research at either of the first two levels may be scientists; but while they are so engaged they are functioning as mere managerial technicians.

The contrast between the prevalence of such research for management, and the general scarcity of all kinds of studies made in behalf of unions, should be a matter for deep concern. One would expect that the social sciences, above all others, would place human values first. It is a disheartening fact, however, that the bulk of current survey research concerns itself with such subjects as efficiency, productivity, quality, absence, turnover, etc., thus acquiescing in a viewpoint which treats man as a mere means to the attainment of managerial ends.

As we turn to the third level of research, it is discouraging, but highly significant, that in their search for examples fitting into this category, Kahn and Mann were compelled to look to medical research (in the case of silicosis) and to research work initiated entirely, and performed mainly, by action groups (*i.e.*, unions, in the case of pensions and guaranteed employment), rather than by "independent" social scientists.

Considering all the time and attention that social researchers have focused on industrial relations, it seems rather surprising that, so far as I know, not a single major collective bargaining advance by workers can be traced to the initiative of the researchers. It is true that in putting forward their demands, unions have often been able to support them with data collected for other purposes—frequently management purposes. It is also true that after the demands have been put forward, a handful of independent researchers voluntarily produced additional supporting data. But the great bulk of the so-called "independent" research on the demands as such had only a negative and retarding influence.<sup>2</sup>

Perhaps this failure of academic researchers to initiate social

<sup>2</sup> I do not refer here merely to rigged polls of the kind one well-known commercial opinion survey organization conducted for a major automobile corporation. It is pertinent, however, that there was not a more nearly universal reaction from academic opinion survey experts against this flagrant abuse of the survey technique.

change on the collective bargaining front should not be so surprising after all. I believe it can be demonstrated historically that partisan research has been much more influential than "independent" or academic research in contributing to social change. Regardless of what may be felt concerning the fruits of their work, it would be hard to think of two social scientists more partisan than Adam Smith and Karl Marx. Yet who, among all the social scientists in the last two centuries, has been more influential in changing the world we live in?

I bring this up, not wholly irrelevantly. Is it not just barely possible that the belief in the inherent superiority of "independent" versus partisan research is itself a mistaken value? Is the test of valid scientific work a question of method, responsibility, integrity and competence in dealing with facts; or is it a question of the source of the investigator's funds? If the latter, is there a significant difference between being on an organizational payroll and receiving a research grant or subsidy from the same organization to do a custom-tailored project for it?<sup>3</sup> Is it not entirely possible that the organization researcher—particularly if he works for an "outgroup" like a union, whose public statements are always received with skepticism, if not outright suspicion—will be much more conscious of the values he brings to his data, and therefore, much more careful than the academic researchers in testing and validating his conclusions? Is it not possible that the organization researcher, having established his position in the organization, can express himself more frankly and independently than the "independent" researcher who has to sell his projects anew to each of a succession of potential sponsors? If the organization researcher confines some of his frank expression within the organization (*i.e.*, if he says nothing outside that might harm the organization or hinder it in pursuit of its legitimate goals), is that different in any material respect from the increasingly prevalent practice of the academic researchers who make "confidential" studies for management?

In theory, the significant difference between the organization researcher and the independent social scientist is that the former is primarily concerned with using scientific method to advance a particular interest, while the latter is concerned with advancing the frontiers of knowledge for the benefit of all mankind and is obligated to put his knowledge at the disposal of all legitimate groups in society. It is possible for the organization researcher, however, to believe

<sup>3</sup> I am not saying that *all* sponsored research yields made-to-order results. But neither does all organization research.

that the organization he serves is making a significant contribution to the advancement of the welfare of mankind in general. (In fact, if he believes otherwise, he should go to work elsewhere.) It is equally possible—and even likely, in a world of sponsored research—that the “independent” researcher will make his scientific knowledge and competence available only or primarily to the dominant power groups in the society—to those who can afford to pay. He may even avoid outgroups that can pay, in order to avoid antagonizing the ingroups that provide a larger market.

All this suggests that the fundamentally important distinction is not between academic and organization research but rather a distinction based on the purpose to which the researcher devotes his knowledge. We take it for granted that the physical sciences should not only increase our information about the universe but should also provide us with the means to change and improve the world as an environment for human beings. By the same token, the social sciences should provide the intellectual tools needed to change and improve our social environment. The essential requirement for this purpose is a readiness to weigh and measure all existing institutions and values in terms of their contribution to the fulfillment of human needs and aspirations, and to speak out unequivocally when any are found wanting. The braver souls on university campuses share this readiness with researchers enlisted in the service of the various “outgroups” whether they be trade unions, organizations representing racial and national minorities, small farmers, persons devoted to civil liberties, or a variety of other organizations and groups devoted to what have come to be known as “causes.”

Arrayed against them are the increasing number of social scientists who, regardless of the source of their pay, are engaged in blocking change by reinforcing the status quo and buttressing it with new ideological underpinnings and new manipulative techniques designed to replace the dissatisfaction that makes for progress with an artificially induced and artfully contrived acquiescence in what should be changed.

These are only a few of the deeply disturbing thoughts that arise in considering the question of social research and the values of the researchers. For a more complete catalogue, I again urge a reading of Professor Kornhauser's lecture. There is not time to explore all the possible remedies for the servile status of the bulk of current social research. But let me sketch out some notions that may be suggestive of others.

One remedy would be an end to present marketing methods in the field of social research. It is degrading to compel scientists to peddle their projects from door to door in search of sponsors. It is even worse to compel them to spend their time, talents, and energies in projects that have little or no scientific merit. If the monied groups that can afford to sponsor research are genuinely interested in promoting honest science, let them make grants, with no strings attached, to reputable institutions so that individual scientists attached to those institutions may choose freely among alternative research undertakings of their own devising in terms of their own priorities and values rather than the values of sponsoring organizations. Groups and organizations with an interest in special research projects should be placed in the position of seeking out the free scientist and persuading him of the scientific worth of their proposals.

Pending the arrival of that happy state of affairs, social scientists, it seems to me, have the choice of accepting sponsorship from neither party to any controversy or of making it a rule to balance their work so that a project done for one side is matched by a parallel project for the other.

The latter course (which recognition of the realities compels me to advance with tongue in cheek) would assure practical implementation of the obligation of scientists to place their knowledge at the disposal of all groups in society. In following this course, the researcher who made a study designed to show management how to maintain morale in the plant might consider himself obligated to follow up with a study designed to show the union operating in that plant how to maintain morale during a lengthy strike. If industrial efficiency is a legitimate goal, so is equitable distribution of the fruits of efficiency. Plant morale is a means to the first, strike morale often is a necessary means to the second. If the scientist has a balanced set of values which recognizes equal democratic legitimacy for management and for unions, what valid objections can he have to coupling such studies?

Similarly, a study of plant absenteeism might be coupled with a study designed to find means to encourage increased attendance at and participation in union meetings. If the first has generalized scientific value because, in the words of Kahn and Mann, it involves "one of the essential requirements of continued organizational functioning," so does the second. If studies and experiments are conducted in methods by which small groups can be made "democratically" to reach pre-determined conclusions, the experimenters should

feel obligated to give equal attention to means by which dissenters can protect themselves against being overwhelmed by such methods. If studies are made to determine the effectiveness of company magazines or the relative effectiveness of such magazines as compared to foreman training, on the theory that effective communication is essential to democracy, they could be matched with parallel studies of the local union newspaper and the training of stewards. Or is communication a one-way street leading toward management objectives only?

Much more important and fruitful than such researches into techniques, whether for management or unions, are studies directed at the key question of how well our social, economic and political institutions are serving human needs. Here the requirements for more knowledge are so vast and so varied that there is no need for enumeration or example. This is work at the third level, where social research can make its greatest contribution by providing information that can be picked up and used effectively by action groups to bring about desirable and necessary social change.

Given the present system of financing social research, these proposals may seem unrealistic. But that system must not remain unchallenged if social science is to free itself from its present widespread (though, fortunately, not universal) condition of servitude to the powers that be. The choice, then, lies between seeming unrealism and continued servitude; but it is not actually a hopeless choice. We in the trade union movement have had some experience in converting allegedly "unrealistic" and "impossible" demands into practical operating fact. It is a stimulating and invigorating process which we can commend highly to the social researchers.



**Part X**

**RESEARCH IN  
UNION-MANAGEMENT  
RELATIONS**

# RESEARCH IN UNION-MANAGEMENT RELATIONS: PAST AND FUTURE

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IN RECENT YEARS some of the most thoughtful scholars in the field have suggested that the study of current union-management relations has reached the point of diminishing returns and that we should turn to other directions for creative results.<sup>1</sup> This tendency to discourage further research into current union-management relations is rather curious. Has the area of union-management relations become less significant in American life? Obviously the reverse is occurring. Have we achieved satisfactory explanations for all the significant questions and problems of union-management relations? No informed student or practitioner would be likely to answer this proposition affirmatively. Have we exhausted all our conceptual and methodological resources and reached a dead end? Surely this is an unnecessarily defeatist view. Perhaps the call for a shift in research emphasis is a normal reaction to the great variety of challenging problems in the field. But I suspect also that it is part and parcel of a restlessness which is apparent in many other segments of the American mental climate—a restlessness which puts a premium on quick answers, calls for new concepts and models, and changing problems, frequently at the expense of intensive, time-consuming, painstaking study.

Whatever the reason for this attitude of discouragement, I shall argue in this paper that exactly the opposite position should be fostered—that we should intensify rather than curtail the study of current union-management relations. I believe this latter view is justified both by a consideration of the historical development of research in the field and by an analysis of current substantive and methodological issues.

## *Past research.*

When we think of the pioneers of research in this field, the names of a few individuals and institutions stand out—Ely and Commons at Wisconsin, Hollander and Barnett at Johns Hopkins, Hoxie at Chicago, Van Kleeck of the Russell Sage Foundation. Each was not only an outstanding investigator in his own right but also inspired

<sup>1</sup> See 1954 and 1955 *Proceedings of Industrial Relations Research Association*, pp. 92-111 and 4-9, respectively.



and guided the research of many students and associates who made valuable contributions to the literature. Much of the early research, such as the Commons' *History of Labor in the United States* (1918) and the Johns Hopkins studies in historical and political science (primarily concerned with union structure and government), were carried out by graduate students for their Ph.D. dissertations. But some of the most significant studies, such as Commons' *Regulation and Restriction of Output* (1904) and the special reports to the 1912 federal Commission on Industrial Relations (of which Hoxie's *Scientific Management and Labor* [1915] was one) were prepared by mature and experienced scholars for various governmental or private agencies.

For the most part this research was focused on the causes of industrial unrest—on “labor problems” rather than on “labor relations.” Unionism was equated in the public mind with struggle and conflict; except for a brief period during the Wilson presidency, the federal government was at best merely tolerant of union organization; and many researchers were concerned principally with improving the conditions of the working class.

A second major area of investigation, however, was what was often labeled “industrial government” or “industrial jurisprudence.” Although a few of the early studies described examples of on-going collective bargaining systems, most research of this type was not undertaken until after World War I when relations had achieved a more or less firm pattern in a number of industries—men's and women's clothing, printing, coal mining, construction, and the railroads. These were largely industry studies, stressing formal structure, procedures, and working rules.

The company or plant case study was rather exceptional. Commons directed a field survey into the “industrial government” of 30 establishments in 1919—a survey which anticipated in certain respects the case studies of the 1940's and 1950's. But as a rule the individual company or plant was a central focus only when a violent strike or other disorder had occurred.

The state of research at the end of the period under discussion was revealed most clearly in an extensive survey conducted for the Advisory Committee on Industrial Relations of the Social Science Research Council in 1927 and 1928. The survey found that:

The feeling among those interviewed was that in the study of unionism there has been enough written with regard to the *history* of various unions or their *structure* and that, in

general, there was an adequate amount available on aspects of labor *struggle*. What seemed to be most needed is how the representative unions of the country actually function today with regard to vital aspects of industry, and what kind of influence they are actually having in this rapidly changing economic and social environment.

In particular, there was a strong interest in how unionism compared with the then rapidly spreading employee representation plans.<sup>2</sup>

Research in this initial phase was largely conducted by institutional economists. The other academic disciplines were singularly absent from the field. Hiller's study of *The Strike* (1928) and M. J. Vincent's analysis of *The Accommodation Process in Industry* (1930) were virtually the only significant contributions by sociologists. The psychologists displayed even less interest. This did not mean that only economic concepts prevailed. The institutional economists ranged widely in their "mental tools" and did not hesitate to borrow or even to originate concepts and propositions of a noneconomic character. (Commons and Carlton Parker were outstanding examples.) Nonetheless, it was inevitable that the basic frameworks would derive from economic thinking.

Methodologies, of course, varied with the subjects under investigation. There was a heavy emphasis on the use of documents to trace events and historical perspective was given considerable stress. Formal institutional structures and procedures were carefully described. Direct observation and interviewing were widely used but systematic sampling and structured interviews were exceptional. Statistical data were eagerly sought but the idea of measuring and quantifying various aspects of institutional processes was not prevalent. The "attitudes" of unions and companies figured prominently in many of the studies but they were usually obtained from informal interviews and observations or inferred from historical events or policy declarations. Systematic studies of attitudes were not attempted.

Most of the studies in this period were descriptive-analytical and were not designed to test or to help formulate theories, although the writings of Commons, Hoxie, Perlman, and Hiller attest to an interest in and awareness of the importance of developing general theoretical frameworks.

<sup>2</sup> *A Survey of Research in the Field of Industrial Relations*, the Advisory Committee on Industrial Relations, Social Science Research Council, Herman Feldman, Investigator (mimeographed, 1928), p. 119.

*The New Deal period.*

Research during the New Deal period differed from that of the earlier period principally in two respects—the increased volume of studies and a shift in emphasis in subject matter. Methodological changes were relatively few. The volume of union-management research was, of course, increased by the nation-wide interest which the growth in the labor movement and the expanded role of the federal government in labor relations stimulated. Governmental agencies undertook or sponsored such research on an unprecedented scale, the results of which have probably never been adequately appreciated or utilized by students of the field because much of it was not printed. In addition to the U. S. Bureau of Labor Statistics, which greatly expanded its operations, significant pieces of research were produced by the National Recovery Administration, the National Labor Relations Board, the National Research Project of the W.P.A., the Temporary National Economic Committee, and the LaFollette Civil Liberties Committee of the U. S. Senate, to cite only the most prominent. While much of the government research was undistinguished in quality or intended solely for administrative or public relations purposes, some of it, such as the BLS study of the *Characteristics of Company Unions, 1935* (Bulletin No. 634), was highly competent and of lasting value.

In addition to the federal government, various private foundations and research institutions, like the Russell Sage Foundation, the Brookings Institution, and the Twentieth Century Fund, supported research in the field. The universities, however, continued to be the main source of research personnel and ideas. At Wisconsin, the work of Commons was carried on by Selig Perlman and Edwin E. Witte. The Johns Hopkins tradition slowly faded away but stimulus and inspiration were provided at other institutions—by Millis and Douglas at Chicago, Brissenden and Wolman at Columbia, and Slichter at Harvard, to mention only the major centers.

Whereas the primary focus of union-management research in the pre-New Deal period was the conglomerate area of “labor problems,” the emphasis now turned to aspects of “labor organization and recognition”—reflecting the trend of events in the nation. Some of the better studies of the period (*e.g.*, the Brookings volumes) examined the relationship of government to this process. Others, particularly in the 1933-1937 period of ferment and turmoil, centered on the conflict phases. Many of the latter were caught up in the enthusiasm of

the "New Unionism" and showed a rather pronounced bias toward the CIO.

However, the gradual acceptance of unionism by employers caused research interest to shift to the problems of the new collective bargaining. The Twentieth Century Fund volumes, *How Collective Bargaining Works* (1942) and *Trends in Collective Bargaining* (1945), symbolized this development as many of the leading specialists together with a group of younger scholars collaborated under the direction of Millis to summarize the experience of the older collective bargaining systems as well as the trials of the new.

Of course, not all research in this field followed the main stream. Indeed, as in the earlier period, some of the most fruitful investigation and analysis pursued other aspects of union-management relations. Slichter's *Union Policies and Industrial Management* (1941) was begun many years earlier and explored for the most part the impact of the older unions on management, production, and technological change.

As in our first period, most of the union-management research during the New Deal years was carried out by institutional or labor economists. But other social scientists were beginning to see the possibilities of investigations which the economists were not as well equipped to conduct. Such a development was suggested by sociologist Robert S. Lynd in one of his lectures on the social sciences in American culture at Princeton University in 1938. Lynd, himself, had devoted a little attention to union-management relations in his two celebrated community studies, *Middletown* (1929) and *Middletown in Transition* (1937). Although the results were not published until 1947, the *Yankee City* study of a strike by social anthropologists Warner and Low was in process between 1930 and 1935. Another stimulating research project was directed by psychologist Alfred Winslow Jones in studying the conflicts between labor and management in the Akron rubber industry of the 1930's (*Life, Liberty, and Property*, 1941). Even more indicative of the new interest among noneconomists was the publication in 1940 of the "first yearbook" of the Society for the Psychological Study of Social Issues, *Industrial Conflict: A Psychological Interpretation*—a project launched late in 1937.

The research methods and concepts in these latter studies differed significantly from those of the economists but I shall postpone considering them until a later section. In general the research methodology of the period was similar to that described earlier—at the

documentary level akin to that of the historian, at the field level akin to that of the journalist. Perhaps the most common type of research design was the industry case study although plant case studies, statistical surveys, and cross-industry topical studies were also undertaken.

*Since World War II.*

Except for the purposes of wartime governmental agencies, union-management research was largely quiescent during World War II. However, the experiences of governmental agencies like the National War Labor Board provided their staffs with an understanding of union-management relations and contacts with practitioners which were greatly to enrich and facilitate subsequent research.

When the war ended in 1945, union-management relations had reached a new high point in public interest, the number of labor relations specialists (although relatively few were well trained in research method) far exceeded that of the prewar period, and the general climate for research was extremely favorable. The opportunities for research and a sense of its need were further enhanced in the immediate postwar years when major work stoppages kept the union-management field in the public eye daily. One result was the establishment of industrial relations centers at Yale (1944), Cornell (1945), California (1945), Illinois (1946) and many other important universities—supplementing the handful of such institutions previously in existence, *e.g.*, Princeton (1922) and MIT (1937). Another result was the formation of the Industrial Relations Research Association in 1947. Other organizational developments which had a marked impact on union-management research were the establishment of the Labor Market Research Committee of the Social Science Research Council and the revitalization of the Labor Committee of the Twentieth Century Fund in 1946, the creation of the Committee on the Causes of Industrial Peace of the National Planning Association in 1947, and the formation of the Committee of University Industrial Relations Librarians in 1947. The broadening of the research activities of the U. S. Bureau of Labor Statistics, although temporarily set back by an economy-minded Congress in 1947, also should be noted.

This period, however, differed from the previous ones in a number of respects besides that of mere quantity. Four changes merit brief discussion: (1) the shift in subject focus from labor organization and recognition to union-management relations, (2) the mount-

ing influence of sociological and psychological concepts and methods, (3) the increasing utilization of research teams, particularly of an interdisciplinary character, and (4) the move from description-analysis to the formulation and testing of general hypotheses and theories.

1. *Shift in subject focus.* By the end of the war, unionism and collective bargaining were firmly rooted and it was only natural that the interest of both researchers and practitioners should turn from the struggles for recognition to the problems of collective bargaining and contract administration. Indicative of the new emphasis and providing a striking contrast to the few pages in its 1928 report on industrial relations was a Social Science Research Council bulletin devoted entirely to research on "collective relations between managements and unions."

One of the noteworthy features of much of this research was the explicit expression of its value structure. As Clinton S. Golden put it in introducing the N.P.A. report on the *Causes of Industrial Peace Under Collective Bargaining*, "In my opinion, the time has come when, instead of looking into the causes of conflict that we know and hear so much about, we ought to try to discover *how much peace there is and what makes peace.*" Bakke stressed the need for "mutual survival" to preserve Democracy. Harbison focused on "constructive collective bargaining" which "promotes the attainment of the commonly held goals of a free society." Whyte traced the pattern from "disorganized conflict" to "organized cooperation" at the Inland Steel Container Corporation.

While not disputing the desirability of "good" labor relations, other researchers expressed doubts that the most effective research results would be achieved by a focus on only one end of the value continuum, or by basing the research on criteria derived from the subjective values of the researchers themselves.<sup>3</sup> But regardless of views on this fundamental issue, numerous researchers shared a common interest in the "how" and "why" of the over-all union-management interactional process under collective bargaining.<sup>4</sup>

<sup>3</sup> See, for example, SSRC Report of Conference on *Research on Labor-Management Relations* at Princeton University, February 24-25, 1949, pp. 11-12.

<sup>4</sup> As in previous periods, there were, of course, many union-management studies which deviated from the main stream and thereby broadened and enriched our knowledge of the field. Some of these were segmental studies of specific topics such as arbitration, seniority, grievance procedure, bargaining structure, and adaptation to technological change. Others were concerned with the struggle for status in areas and industries where unionism was not yet firmly established—the white-collar fields, the South. Still others were "biographies" of unions or companies or, in surprisingly few cases, of union and industry leaders.

2. *Influence of sociologists and psychologists.* The expansion in the volume of union-management research was accompanied by an even more significant expansion in its breadth. As noted earlier, the almost exclusive circle of economists had been invaded prior to the war by a few sociologists and psychologists, who remained, however, on the fringe. Now the number increased substantially and they advanced to and were welcomed at the inner circle. In my judgment, the influence of the newcomers greatly exceeded their number which has continued to the present time to be only a small fraction of the total research body. This influence has been exercised through two avenues—projects designed entirely from a sociological or psychological point of view and projects of an interdisciplinary character in which these views were merged with those of the economist. I shall comment only on the first type here and discuss the second type in the next section.

When we contrast the writings of the sociologists and psychologists in the union-management field—Whyte, Dubin, Hart, Stagner, Kornhauser, McGregor, to cite only a few—with those of the economists, we find some important concepts in the former which are either totally absent from or treated lightly and inadequately in the latter. Perhaps the most significant idea is that the formal document (constitutions, contracts, charters) and the formal structure of relations often have a quite different meaning in practice than their outer appearance suggests.<sup>5</sup> Research into the dynamic processes of communications, organizational networks, informal groups—into the ties between the individual and the culture (whether of the plant, the union, the community or the industry)—has unquestionably enriched our understanding of the union-management relationship. The second major conceptual contribution of the noneconomists has been the idea that we can better understand the actions of organizations like unions and managements if we study in detail the perceptions, values, and attitudes of the personalities involved—the rank and file of workers and supervisors as well as the leaders. Some labor economists have tended to scoff at “attitudinal studies” as superficial, naïve, and untrustworthy sources of data, and there is little doubt that many of these studies have suffered from serious methodological as well as conceptual limitations. But it is difficult for me to understand the view that we should confine our research solely to “activities” or

<sup>5</sup> Not that the economists were ignorant of this fact. But they did very little about it in their research.

to written documents and should neglect direct study of the thoughts and feelings of people.

From the sociology-psychology group has also come a number of methodological ideas and tools which have been increasingly utilized in the field. Although economists have had a tradition of careful, systematic research in regard to documents and economic statistics, they have generally relied on informal, intuitive, and unsystematic methods of observation and interviewing for other types of data. For getting a "feel" of the subject, the latter approach has much to be said for it, but as a basis for collecting facts, it is often far from satisfactory. In this respect the economists have learned much from the other disciplines, and *systematic* field research in union-management relations has increased as a result.<sup>6</sup>

Another contribution which has come largely out of the psychology group, although it is rejected by some of them, is an emphasis on quantification and measurement of data. Most labor economists have been critical of this effort as it applies to qualitative data—have tended to view it as a rather artificial and far-fetched attempt to emulate the physical sciences. I would agree that for many types of data, quantification and measurement are not feasible. Moreover, these methods do not eliminate subjectivity and they may be deceptive. But our experience in almost every scientific endeavor has demonstrated that, properly developed, they do contribute to more reliable facts and understanding. I believe that their application to the union-management field merits much more consideration than it has had thus far.

3. *Research teams and individual research.* The substantial increase in team research since World War II has been the result of at least two factors which individuals have not been able to manage by themselves—the physical resources to tackle problems which involve large amounts of data collection on a concurrent basis and the mental resources to deal with problems which encompass so many aspects of the social sciences.

Collective research<sup>7</sup> may take a number of forms which differ significantly in the problems they pose and the advantages they

<sup>6</sup> When I use the term "systematic" here, I am not referring merely to completely structured schedules and interviews. For many purposes the semi-structured, open-ended interview and observational checklist are most suitable. But they must be used with a full awareness of the problems of standardization and representativeness.

<sup>7</sup> By collective research I mean research planned and administered by two or more persons of approximately equal status. I do not include research in which a single mature scholar conducts a project with the aid of a number of graduate student or similar-type assistants who do not participate actively in the conceptualization and are primarily data collectors and tabulators.



achieve. These differences may be illustrated by reference to two of the better known projects of the postwar period. The N.P.A. study of the causes of industrial peace, for example, was like the earlier Twentieth Century Fund study of collective bargaining in that it involved a group of mature scholars who studied the same general problem in different case-situations with a minimum of coordination and little standardization of concepts or methods. Although most members of the group were economists, it also included men trained primarily in law, engineering, or psychology. The result was a set of case studies which unquestionably had more in common than if collaboration had not been attempted but which lacked the features of standardization and representativeness necessary for scientific generalization. A major achievement of the study was that it added to the literature a sizeable number of case studies (several of a high quality) and stimulated similar studies elsewhere.

The *Illini City* study, in contrast, represented an effort to develop an integrated<sup>8</sup> interdisciplinary framework for the study of union-management relations at the plant and community level through a tightly knit team of economists, psychologists, and sociologists, who deliberately pooled their concepts and techniques and who attempted to collect and analyze the necessary data with a common set of definitions, schedules, etc. Full integration was not achieved. Nor were all of the criteria of standardization and representativeness adequately met. The team approach, however, did facilitate the consideration of combinations of factors on a systematic basis which had not previously been effected.

One of the important lessons in this study was that interdisciplinary integration is a slow and arduous process, requiring a high degree of personal compatibility among the team members and a flexibility in modifying personal views. Since the problem of integration is in part related to the number of persons involved, it is likely that most efficient results can be obtained by restricting the maximum size of the *planning* team to, say, 3 or 4 members. Larger teams are, of course, possible but are likely to prolong unduly the conceptualization process and to relegate some members to a more passive and acquiescent role than is desirable. However, the contributions of the integration proc-

<sup>8</sup> By "integration" I mean unqualified agreement among all the team members not only on the purpose and definition of the project but also on the underlying assumptions, the key questions and hypotheses, the criteria, and the methods to be used.

ess in the way of enriching concepts and methods are worth a considerable price in terms of time, effort and patience.

In my judgment, the issue of team *versus* individual research is specious, although the characteristics of each merit careful consideration. Some men do their best work alone; others find stimulus and pleasure in cooperating with one or more colleagues of similar training; still others respond most creatively to the broadening climate of interdisciplinary cooperation. Similarly, the nature of problems has varying implications. There are some problems which may be approached fruitfully through different frameworks. Other problems are clearly most amenable to the framework of a single discipline. Some are manageable by the individual student. Others can be met adequately only through large combinations of men and resources.

4. *The search for generalization.* The relating of theory and research is not new to the union-management field. The brilliant model of Commons' *American Shoemaker* article was published in 1909. But perhaps the predominant characteristic of the early research is its divorce from theory. In the past decade has come a widening belief that theory not subject to empirical test has serious limitations and, concurrently, that "basic" or fundamental research benefits from a theoretical orientation.

However, the search for general principles and the building of a body of theory have also been viewed with misgiving by many scholars and practitioners. This view has been expressed most aptly by J. Douglas Brown in his 1952 presidential address to the IRRA.<sup>9</sup> Dean Brown stated: "Whether we like it or not, industrial relations is still an art and is likely to remain so as long as human behavior, both individual and group, is largely unpredictable." He did not rule out entirely the development of generalizations but perceived them as leading "some day" to "a philosophy of industrial relations." The emphasis in research, he contended, should be on "problem-policy projects" closely related to practical affairs. This preference for research which contributes "to sound public policy" was underscored by Lloyd Reynolds in his 1955 presidential address to the IRRA; but Reynolds differed from Brown somewhat in his emphasis that the first criterion of research is that "it should meet the ordinary tests of scientific work: clear hypotheses capable of being validated or refuted by evidence, an adequate body of data appropriate to the

<sup>9</sup> See also comments of Paul Norgren in IRRA *Proceedings*, December 28-30, 1954, p. 107.

problem, and the possibility of quantifying these data and manipulating them by statistical techniques."

I suspect that the differences which exist among researchers on this issue are differences of degree rather than of kind. Few students of social behavior expect to achieve scientific generalization of the universal and invariant character of the laws of physics. Rather the search is for general tendencies or probabilities under specified conditions, including time and place. How much attention should be paid to policy issues—present and future—and how much to a general understanding of institutional behavior in this field is perhaps a point at which the difference becomes sharpest.

The question of policy *versus* general research holds some implications for research design. The case study, whether historical or contemporary, has been the prototype of many of the most fruitful studies in the union-management area. It is particularly useful for policy decision-making. But the richness of detail which makes it so valuable for the formulation of more general hypotheses simultaneously reduces its value for the testing or confirmation of such hypotheses. Since the method of the controlled experiment and even of the simulated controlled experiment has, at best, limited applicability in the union-management field, it appears that we must rely to an increasing extent on comparative and statistical studies for the testing of generalities.

#### *Future directions?*

The answer to this question, of course, will be determined by the interests and opportunities of the few hundred research-minded people in the field. As I see the union-management area at the present time, we face challenges in a number of important directions—both subject-wise and in terms of methodology.

Space limitations prevent detailed discussion of fruitful research problems. A mere listing of a few topics, however, may be suggestive. For example: the existence of types or patterns at the establishment and community levels, the role of personality, the implications of the widening area of the collective bargain, the union voice in management, and the position of the individual worker in a unionized society.

On the methodological level, there is much room for improvement. There is little excuse, for example, for a failure to consider the question of representativeness or for a neglect of available techniques for systematic and standardized data gathering. Nor does a legitimate desire for a wider audience justify the presentation of research find-

ings without a careful exposition of the methods used in the collection of the data and the inclusion of at least some of the raw data on which the findings were based.

An increasing linkage of research and theory I believe is desirable. The descriptive study will continue to serve a valuable role. Some of our most exciting theorizing may not come from researchers at all, but from scholars who have the leisure, the disposition and the creative ability to survey the industrial scene and project their imagination upon it. However, theory subject only to logical testing will always tend to remain contentious. Theory subject to testing through research is more likely to gain general acceptance. For this function researchers bear a major responsibility.

In order to fulfill this responsibility adequately, it will be necessary to conduct substantial numbers of comparable studies which can serve as checks upon one another. Two avenues to this goal appear to be available. Either we must have large-scale, team studies or individual researchers must develop a willingness to duplicate the studies of others. The tendency in the past has been to stress "original" to the exclusion of "additive" research. However, there have been some noteworthy exceptions and we can expect more in the future.

The testing of theory and the development of empirical generalizations would benefit immeasurably if we could "invent" new methods of collecting data more quickly, simply, and economically. One of the discouraging features of the case study is the time it requires. A comparative study based on a series of case studies simply multiplies the man-hours of research proportionately. The statistical survey approach, which ordinarily utilizes standardized "one-shot" interviews or questionnaires, covers many cases quickly but, as Dunlop has noted, the data gathered are often of questionable reliability. We have been experimenting at Illinois with the feasibility of surveying union-management relationships in many establishments through the use of a small number of carefully-structured and standardized interviews combined with a system of re-interviewing and probing where answers to the same fact-type questions by management and union respondents differ. Other techniques may improve the efficiency of collecting reliable data.

Another aspect of union-management research which needs more attention than it has received in the past decade involves the study of institutional behavior over time. One of the limitations of cross-sectional or horizontal research is its neglect of the time dimension. This is not impossible to correct. Projects can be repeated at fixed

intervals over time for vertical comparisons. For some purposes the traditional historical design is satisfactory. But many types of problems can be studied most effectively on a contemporaneous basis and for these, research designs which project into the future are called for. It has also been suggested that we can learn much about the dynamics of union-management relations by repeating some of the better studies of the past, such as the industry analyses of the Twentieth Century Fund project, *How Collective Bargaining Works*, and some of the establishment case studies done by the N.P.A., Princeton, and Illinois. While such comparisons would not have the precision of a study designed in the first instance for vertical investigation, they would unquestionably enrich our knowledge. There are other ways of studying dynamic process. For example, it is a rather curious phenomenon that numerous anthropologists can be found to devote years as participant observers of distant primitive families and communities whereas only a handful of students of union-management relations in recent years have undertaken the role of systematic direct observation on the spot.

What this all adds up to may be summarized in two short sentences. The challenge of research in union-management relations has never been more attractive and opportune. We stand at the threshold, not the climax, of developing, if not a "science," at least a well-organized body of knowledge and theory.

# RESEARCH ON UNION CHALLENGE AND MANAGEMENT RESPONSE

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OUT OF THE WHOLE FIELD of union-management research, I propose here to extract one segment for closer examination. I offer this area as one about which we know all too little and about which we may learn too late to avoid unnecessary burdens on the economy. My area is that involved in the notion of the union as a challenger and management as a respondent in industry.

How industrial management is faring under the impact of a strong union movement is a question of such impact that one might reasonably expect researchers to have some ready answers available. It is the thesis of this paper, however, that neither those inside nor those outside of industry have devoted enough close attention to this subject. As a consequence, we may in certain sectors of the economy be witnessing collective arrangements negotiated between labor and management which are designed to meet a specific problem but which do so at costs above what a careful examination of alternatives might prove necessary. As a society, we seem to want measures of progress and security at the same time. How much progress we can continue to make may depend in considerable part on how well we manage the pursuit of security. I see in the study of the pursuit of security through collective bargaining an urgent challenge to industrial relations researchers.

Our interest here is in looking at part of the framework of pressures within which the management group of any enterprise operates. One vigorous and vocal source of pressures on problems of employer-employee relations is likely to be the union. The relevant union pressures may be of a number of types. Pressures to pay certain benefits, to conduct operations within certain stipulated limits, to avoid certain types of discriminatory actions, or to give status to the union and its representatives would all be examples. The term "union challenge" is used to refer both to the exertion of any of these types of pressure and to the worker or union objectives which may underlie the surface manifestations of the pressures.

A number of managerial reactions might follow a successful union challenge of the type described above. The pressure, for example,

might point toward and result in a written agreement. Or it might produce a changed set of practices under the existing agreement. Or it might produce a code of practices beyond the agreement or even beyond joint discussions with the union, but nevertheless possessing some measure of sanction. These reactions taken together are the "management response" with which we deal in this discussion.

### *Highlights of Past Research*

Research on union-management relations has of course been widespread over the past decade and a half. Prominent in this area are the case studies of collective bargaining relationships.<sup>1</sup> Generally these have been broad studies of the attitudinal climates in which management and unions have met and transacted their business. Emphasis has been upon differing ways in which the parties have approached one another at the bargaining table and upon changes in relationships in response to internal or external pressures. In one notable case, the *Illini City* study, attempts have also been made at measurement of key variables found in the individual case studies.

However meritorious and useful these studies may be for other purposes, they throw surprisingly little light on the subjects of union challenge and managerial response. The nature of the union's challenge is seldom examined in any detail. In most instances, union contractual demands are taken at face value without probing into their underlying roots. Of course, these roots are particularly difficult to detect where the studies involved little or no direct contact with the workers themselves. On the employer's side, the picture is all too sketchy when it comes to setting out with clarity managerial perceptions of the union as a challenger and of alternative impacts likely to flow from union policies. As a result, we do not get from these studies enough feeling for either why or how a company moves in a given direction in its union relationships. We do not really see a decision-making process involving choice. And only the *Illini City* researchers have labored long enough in the vineyard of definition to permit cross-industry studies to be made on a comparative basis. The point here is not that the broad case studies lack many good examples

<sup>1</sup> Examples are Clinton Golden and Virginia D. Parker, *Causes of Industrial Peace Under Collective Bargaining* (New York: Harper & Bros., 1955); W. Ellison Chalmers et al., *Labor Management Relations in Illini City* (Champaign, Ill.: University of Illinois, 1953); Frederick H. Harbison and Robert Dubin, *Patterns of Union-Management Relations* (Chicago: Science Research Associates, 1947); and Frederick H. Harbison and John R. Coleman, *Goals and Strategy in Collective Bargaining* (New York: Harper & Bros., 1951).

of union and management behavior at specific moments under specific conditions; rather, the point is that we do not have nearly enough pieces to fit together into a whole offering clear answers to our question, "How has union influence affected management's ability to manage the business effectively?"

If the searcher after answers to this question is to find a measure of satisfaction from the work done to date by students of industrial relations, he is likely to be forced to turn away from the broad case studies to more segmental studies. A relatively old book, now undergoing revision, is still as good a source of material on the impact of certain union policies as one can find. This is Sumner Slichter's *Union Policies and Industrial Management*.<sup>2</sup> The focal points here were the benefits and the shortcomings of the system of industrial jurisprudence erected by workers seeking job protections and by employers seeking prerogative protections. The major contribution which Slichter has made has been the cataloguing of a wealth of material defining industrial and union practice of the day. It is no criticism of the study to suggest that today we would like to see still more information on how these policies came to be the way they were, what significant departures there were from these patterns, how costs and gains from these practices might be estimated, and how changes in the practices might have been made.

Studies of this type since 1941 are rare indeed. But at least one recent one deserves special attention. William Haber and Harold Levinson of the University of Michigan in their book, *Labor Relations and Productivity in the Building Trades*,<sup>3</sup> have sought measurements of the union impact on a major industry. Quite apart from the fact that this book weakens a number of the traditional accusations made about the unions and the industry, the work is noteworthy for the vast amount of valuable factual material which it contains. But here again the analysis stops short of looking at variations in patterns and hence at possible alternative managerial responses to union pressures.

Quite a different approach to this whole area has been that of stating the problem in terms of union impact on management rights. Of several relevant studies, Neil Chamberlain's *The Union Challenge to Management Control*<sup>4</sup> is best known. A survey of degrees of union penetration into managerial powers in selected industries led Chamberlain to conclude that no basis for sharp differentiation of

<sup>2</sup> Washington, D. C.: The Brookings Institution, 1941.

<sup>3</sup> Ann Arbor, Michigan: University of Michigan Press, 1956.

<sup>4</sup> New York: Harper & Bros., 1948.



union and management spheres of interest could or should exist. He developed the theme of functional integration of the union into industry for organizational stability. This state of affairs envisions the bargaining parties having certain understood, common responsibilities and defined authorities so that the enterprise appears in the end as a working entity composed of various interest groups. This study has special significance for us because of its perceptive comments on the continuing responsibilities of the separate parties even when they are parts of the integrated whole. To anticipate a point to be made later in this paper, this specifically implies an ongoing job for management in seeking to understand the union's role and the workers' needs at the same time that it continues to fulfill its traditional functions in direction and administration. Chamberlain's thesis can surely not be used to imply that management is to abdicate from the responsibility of continuing to seek out those solutions to current problems which best meet the needs of all concerned. Managerial failure to manage in any area is not necessitated by the establishment of a collective bargaining relationship.

This brief survey of some highlights in past research may well do injustice to particular studies, mentioned or unmentioned. But it should also point to the conclusion that we have not yet done much in the way of studying how unions challenge management or how management responds. And we have certainly failed to keep pace with new developments in collective bargaining.

### *Changing Patterns in Collective Bargaining*

Bargaining in mass production industries has been passing through an era which generally cast the union in the role of initiator both of protest and of policy to meet that protest. Management has been the respondent, recoiling from the union's challenge and seeking through stubborn, often hopeless, resistance to minimize those consequences of union policy which were likely to have the most adverse effects upon the firm or industry. The roles of offender and defender were thus clearly delineated. The match was seldom an even one: the unions in this era were spurred on by their own youth and vigor, by societal demands that there be changes made in the employer-employee relationship, by disorganization on the employers' side, and by high levels of employment to win victory after victory at the bargaining table and beyond it. If ours has ever been a "laboristic economy," as Slichter claims,<sup>5</sup> the phrase surely denoted only that the unions were

<sup>5</sup> Sumner H. Slichter, *The Challenge of Industrial Relations* (Ithaca, N. Y.: Cornell University Press, 1947).

winning the early rounds as American labor organizations caught up with their counterparts elsewhere in the world in achieving recognition and surpassed their counterparts in broadening the basis of collective bargaining. While few of the unions came close to playing a major role in managerial decisions other than those directly involving employee welfare,<sup>6</sup> unions and government together have achieved a near-revolution in employer-employee relations in only two decades. Many collective bargaining agreements in those years have been reached on or near the union's terms.

There is, however, increasing evidence around us that a new era in bargaining may be about to open. The union clings tenaciously to its role as initiator of protest throughout much of industry, but management has the opportunity of finding ways to recover for itself the role of initiator of the policy designed to meet that protest.

The 1955 negotiations in the auto industry are a case in point. The key part played by the aggressive and imaginative United Automobile Workers was that of crystallizing thinking on a particular problem, recurring layoffs in the industry. This was part of the traditional role of protest. However, in spite of the great amount of thought and publicity that went into the formulation of a solution to meet that problem, the union's solution did not appear to carry much weight in the bargaining sessions. The union originally hailed the settlement as the achievement of the Guaranteed Annual Wage and hence made the contract fit the UAW's publicized demand. But even this terminology was dropped before long. The settlement came to be referred to as the Supplementary Unemployment Benefit Plan, a company solution which faced up to the union's cry that something be done about the layoff problem but which did so in a way designed to keep the costs to the company at a lower level. This case takes on particular significance when one notes that the UAW, more than most of its sister unions, is an organization where idea men are highly valued. If 1955 established any precedent, one may expect these men to have more influence in determining which employee problems are to receive priority in management's thinking than in shaping the pattern of these thoughts.

To search out reasons for the new opportunities that appear to loom for management in collective bargaining, we must look more closely at management itself, at unions, and at the economic and social

<sup>6</sup> See, for example, Herbert R. Northrup, "The UAW's Influence on Management Decisions in the Auto Industry—An Outsider's Point of View," *Proceedings of the Industrial Relations Research Association*, 1954.

environment within which they meet. For many employers, automatic acceptance of the union's definition of the appropriate arenas for collective bargaining discussions came to an end with the growing realization that union demands were sometimes more strongly based on a searching among the members for a solution to a problem than on a widespread conviction that the problem admitted of only one (*i.e.*, the union's) solution. I propose to argue later in this paper that this realization has come home to only a few employers to date, but these men are in key positions and their influence may reasonably be expected to spread.<sup>7</sup> Many companies already have a vague longing for counter-proposals to union policies; the next stage in their development may be an awareness that such counter-proposals are available and that they may be advanced successfully without touching off an all-out power struggle between unions and companies.

The new era in bargaining might also be understood if we knew more than we do about the nature and function of institutional goals in American trade unionism. One hypothesis might be stated this way: the American industrial union is rapidly approaching the point where such readily identifiable goals of its members as are open to union action are being met in industry, and hence where the survival of the union depends more upon the effective assumption of policing powers over existing rules and modifications thereof than upon the making of new rules in uncharted areas. We need to know whether or not such a hypothesis has validity and usefulness.

Too often in the past we have accepted uncritically the dictum that the American labor movement had no ideology beyond the pursuit of "more and more, here and now." This over-simplification has prevented us from seeing union beliefs in their proper role as a basis for the legitimacy of the movement's power and authority. It has also served to close the door on inquiry into such subsidiary questions as "More of what?" and "How?" Yet we need answers to these questions to see why it is that much of the aggressive crusading zeal appears to be on the decline in unionism and administrative efficiency within established areas in the ascendancy.

<sup>7</sup> The influence discussed here is to be distinguished from that of Boulwareism. This latter influence starts with an assumption that management, knowing what is best for everybody concerned, makes final offers to the union and looks to the employees to realize in time that their well being depends on acceptance of these offers at the earliest possible date. Boulwareism does not envision the union as an important part of the communications process either upward or downward in industry, nor as an amender of the company-proposed solutions to problems at hand. See Stephen Galpin, "Boulwareism," *Wall Street Journal*, November 3, 1954.

One hopes that management will become increasingly aware in this new era of the need for understanding more about worker aspirations and union ideology. Consider an established contractual device such as seniority which may in a particular situation be proving itself unduly burdensome in the light of current conditions. A search for alternative paths of action must begin with a thorough appreciation of the needs which the seniority clause was designed to meet. The major aim might have been to introduce an orderly, impersonal mechanism into layoff and promotion decisions, or it might have been to produce a special status position for the longer service employee. Certainly it makes a difference which of these is the more important, for each possibility channels the search for less costly alternatives in different directions. And how do we appreciate alternative methods for seniority administration without a clearer understanding of union attitudes toward shared authority with management? We are forced to conclude that we have scarcely scratched the surface in understanding the unionism which we have studied for so long.

### *Understanding the Union Challenge to Management*

Looked at from either management's or society's point of view, the hour is late for a broader recognition of the nature of the union's challenge to industry. Management, and then the economy itself, will suffer if we operate on the assumption that a union demand, where it is rooted in genuine protest, must be met head-on with either acceptance or denial. It would be folly to assume that there is no basis of popular support back of the typical union demand. Indeed an implicit assumption throughout this paper is that the union in most instances is an effective, important, and even necessary channel of communication between workers and management. But it would be still greater folly to pass up the search, inside and outside management, for alternative ways of facing up to each specific need highlighted by the union. Perhaps the union's demand is the best way to meet that need; but there is also the likelihood that the union's proposed solution, rooted in one form of partisanship, may be improved upon when due recognition is given to the competing needs of other partisan interests—manager, stockholder, and consumer, for example. The appropriate questions for study as each demand arises are these: What is the root of the problem? What alternative ways are open for meeting the root cause of the demand? Which way of meeting the demand is most conducive to advancing competing objectives of other interest

groups? (Or, negatively, which way of meeting the demand is least obstructive of competing objectives of the firm?) Can the firm afford the costs involved in this optimum solution? How can this solution be made acceptable to the union negotiators and membership?

It is difficult to imagine an easier way of drifting into a stagnant, inefficient economy than by managerial default in examining alternatives as sketched out here. And yet my own research in the Pittsburgh area over the past year convinces me that, in the smaller companies in particular, this drift is proceeding at an alarming pace. No one comment is more typical of the management people with whom I have spoken recently than this one, "The union has got us in a strait-jacket. We just don't have room enough to turn around in either on wages or on working conditions." The sequence of events leading up to such a statement was repeated many times over. Companies other than the largest firms in the area were faced in time with many of the same demands which the union had negotiated successfully from the big companies. The union negotiators seldom had access to alternative proposals on the same subjects. Moreover, they felt pressured by status, political, and time considerations into getting a package as nearly identical to the big company package as was possible. The companies seldom had either the resources or the will to study these demands from a point of view broad enough to develop alternative courses of action. Instead, there quickly developed a feeling of hopelessness. "We've been hit once again, and there's not much we can do about it." If there was consolation anywhere, it was the consolation of knowing that one's competitors were being hit with the same demands and thus everyone would face similar cost increases. An inflationary economy in turn made these increases somewhat easier to live with.

I do not wish to underestimate the strength either of the unions involved here or of their commitments to previously formulated demands. Sometimes these companies would in truth have found little room for maneuvering. This will be especially true where a union has become wedded over time to one particular way of doing things and views any attempt to re-examine that way as the work of an anti-union devil. But, until the situation has been thoroughly explored in advance of a commitment, there is insufficient justification for the argument that the union alone has unreasonably restricted managerial efficiency. And, from the public point of view, there need be little to distinguish an inflexible union demand from a management

concession made out of avoidable ignorance.<sup>8</sup> Both may involve costs above what we need to bear in order to solve the problem at hand. Management's job, as it has been described here, is a search for efficiency and maneuverability within the framework of certain constraints. These constraints, whether imposed directly by the public through its government or by the union, include the notion that employee welfare and fair treatment take their place alongside consumer and stockholder satisfaction in the legitimate aims of the company.

Ready agreement could perhaps be reached among industrial relations researchers and practitioners that the critical areas in which the union's impact should be examined most carefully will have to include wage administration practices, procedures governing the introduction of technological change, the problem of the pace of production, and the question of work assignments, including the subcontracting issue.

In all of these areas, the urgent need for research on the union challenge and management response is heightened by one of the realities of social organizations. As social scientists, we talk predominantly of change in our institutions; yet one of their striking features is their resistance to change. A contract clause leads to certain arrangements being established and these arrangements may take on a life of their own with deep roots. If managerial efficiency is being seriously but unnecessarily impeded today by unions in the pursuit of legitimate ends, then it will take more than a good idea to dislodge the established procedures. That good idea is likely to be most powerful when it does not have to compete with a solidly entrenched opponent.

There is too a special timeliness about such research now when segments of industry stand on the verge of major technological changes through automation. For many companies, this will mean new opportunities to re-design jobs so as to promote maximum utilization of human resources. But many union leaders and members alike have genuine fears about the impact of automation. These fears are not going to be dispelled by vague assurance that all will be well

<sup>8</sup> An example is a fabricating company, organized by a predominantly craft union and faced with a demand involving heavy overtime payments. Both sides fought out the issue until the company's final concession, without once discussing other ways in which the workers might be protected against overtime abuses common in the past in the area. Not until after the contract was signed did either party learn about a clause negotiated by the same union elsewhere in Western Pennsylvania and providing for the protection sought by the union without such burdensome restrictions on the employer's use of overtime labor.

for jobholders. But industry may gain the necessary flexibility to introduce change free of the most costly restrictions if study of the relevant human problems is undertaken soon enough to develop positive programs to smoothen the adjustment process.

I suggested above that the research on the union's impact and management's alternative courses of action should be carried on both outside and within companies. An appropriate division of labor here will be one where each group does what it is best fitted for. One implication of this is that some of the research which is done even now in universities might better be undertaken by industry itself, particularly where that work involves primary emphasis on the gathering of information or the application of measuring tools. Where the academic environment involves less pressure to produce immediate results as a justification for the continuation of a research budget, that environment may best be used for the long-range development of concepts and tools that give promise of increasing understanding of major social institutions in all their facets.

(i) *Research outside of industry*: The case for work outside of industry rests upon the belief that our industrial relations faculties and independent research staffs are well equipped to bring a more detached point of view to the studies and to see the problems at hand in their broadest implications. Industrial relations problems are but one manifestation of intergroup and interpersonal relations. The industrial relations scene need not and should not be set off by itself for examination without reference to the whole social and economic environment in which parallels and contrasts may fruitfully be studied. Eventually our understanding of this scene depends upon fitting pieces together with students of other scenes as part of organizational theory, for "the analysis of industrial relations is limited, provincial, and inadequate without a sophisticated theory of social structure and society."<sup>9</sup> Among the projects which come to mind as appropriate and timely for such researchers are the following: refinement of measures of union influence on management;<sup>10</sup> methods for estimating costs—private and social—of particular aspects of the union's impact; study of the processes by which union and management attitudes toward one another are formed and change over time;

<sup>9</sup> Robert Dubin, "Some Methodological Problems in Industrial Relations Research." Paper prepared for the 1954 Annual Meeting of the Social Science Research Council's Labor Market Committee.

<sup>10</sup> The *Illini City* study is a valuable beginning in this area. But the emphasis there on contract terminology and daily contract administration is too narrow to get at the full range of the union's impact of the company. Chalmers *et al.*, *op. cit.*

examination of the collective bargaining decision-making process as an instrument for seeking out and pursuing alternative courses of action; and the clearer identification of major compulsive pressures acting upon unions and management and of the range of possible courses of action in response to these pressures.

Beyond this, those of us outside the walls of industry have a responsibility to the community which demands of us that we take stock of developments in our areas of professional competence and lend our best thinking to an understanding of directions of change. Most of us in this professional group are prepared to champion the institution of collective bargaining for the contribution it has made to orderly, peaceful ways of advancing human rights within industry. We subscribe to a value judgment that it is eminently worth preserving as part of a free society. But time has brought many changes in this institution. Today we frankly are unable to answer many critical questions about the real impact of unions upon management and the economy. We have taken steps forward, through our research, but there is still a long way to go; part of the way involves seeing differing methods by which firms have adjusted themselves to apparently similar pressures from the unions. Until we understand this, there is little chance that we can help to preserve that which is best in collective bargaining while avoiding that which is most in conflict with the general economic well-being.

(ii) *Research within industry*: There is also much research that can be done by companies themselves. It would be impossible for the small companies mentioned earlier to do much in the way of studying the impact of the union on their own businesses or of collecting information on relevant experiences elsewhere. Only an association of such employers is likely to meet the need envisioned. Both the larger companies and employer associations have a great challenge before them in industrial relations research. Failure to undertake this study as a continuing activity in the company must surely lead to putting these firms at a disadvantage at the bargaining table because potentially valuable information is simply not available.

As long as one assumes that the union pressure is practically inflexible or that costs incurred at the bargaining table can be quickly passed on to the buyers of company products, there is of course little point to such research. But the weight of evidence supporting the view that management can maneuver at the bargaining table and in the plant without undermining the basic position of the union may yet persuade many firms to expand industrial relations research far



beyond its present role. In the majority of firms today, there is scarcely any activity at all that could be called research in industrial relations. In other cases, the research staff is so heavily pre-occupied with immediately pressing bargaining problems that there is no opportunity to look forward beyond today's emergency nor to take careful stock of the present relationship in even its most important aspects. Both types of situations may result in a steady drift into paralysis because of numerous avoidable restrictions picked up piecemeal along the way.

Two further remarks need to be made about such company research. One is that company, rather than union, research has been emphasized here because of the widely held conviction that the employer gets about the type of union relationship which he asks for and that the employer is still the final decision-maker in most industrial relations situations. If, however, there were to be an increase in union research activities in these same areas, this too would be all to the good. The second comment is that such company research unaccompanied by an ever-increasing awareness of the special nature of unionism as a political institution would be of little avail. Management's effectiveness in persuading the union to accept a less costly way of meeting some need in the workplace may hinge upon the sophistication with which the union is understood as an organization. Conversely, some of management's views today on the inflexibility of unions may arise from serious misconceptions shared by company representatives about the internal processes of the unions with which they deal. If "Know thyself" is management's first step to a better relationship, "Know thy union" is surely the second step.

Milton Derber's paper, which has just preceded this one, suggested that the challenge of research in union-management relations has never been more attractive nor more opportune. The present paper seeks to second that conclusion. Certain fields have been ploughed too well, others are unready for tilling until new tools are available, but this leaves much fertile land for the researcher to work upon. The exploration of union challenges and managerial responses lies in such an area. Compared with the bulk of studies which preceded such exploration in the past, this task may be less glamorous, but it is also more exacting and at least as important. What is at stake is our ability as a society to feel our way toward new answers for age-old problems. In this, we race against a hardening crust of restrictive practices from out of the past which may rob us of the chance to advance man's economic well-being as effectively as we are protecting his employment security and dignity.

## DISCUSSION

JOHN G. TURNBULL

*University of Minnesota*

What is basically involved in the papers at hand and the attendant commentary is a series of value judgments: value judgments about which problem areas are important in the social sciences, and given the choice of employer-union relations as one such important problem area, which specific matters therein are pertinent. These value judgments may, without degrading the term, be viewed as a series of personal prejudices. And what I should like to do here is to add my prejudices to those which already have been stated by making a few generalized comments about the Derber paper and a few specific comments about the Coleman paper.

As one of those who two years ago wondered if research in employer-union relations had not temporarily reached a stage of diminishing returns,<sup>1</sup> I nevertheless feel that the indictment in the Derber paper is perhaps too strongly put. But, this criticism is an unimportant one. What is more important are the research proposals made in the latter part of the Derber paper, and the positive tone of his approach.

My personal reaction is that the positive approach is a necessity, and that the research areas he suggests are important, though one might be disposed to add others reflecting one's own prejudices. But I would make a different proposal. I think that this is an appropriate juncture in employer-union relations research for taking stock of or summing up such research. What could very profitably be done for this field is what Herbert Parnes did for labor mobility research.<sup>2</sup> This by no means implies that research should be suspended while such a stock-taking is done; it merely suggests that this might be a profitable point at which to undertake the latter.

The underlying research proposal in the Coleman paper is most provocative. Whether or not one agrees that the union challenges and management responds, it is still true that we know far too little about managerial decision-making *vis-à-vis* the union. The union,

<sup>1</sup> See J. G. Turnbull, "Research on Employer-Union Relations: An Analysis and Evaluation." Paper presented at the Social Science Research Council (Committee on Labor Market Research) and University of Minnesota (Industrial Relations Center) Conference, Minneapolis, May, 1954.

<sup>2</sup> See Herbert S. Parnes, *Research on Labor Mobility: An Appraisal of Research Findings in the United States*, Bulletin 65, New York: Social Science Research Council, 1954.

as an organization, has been dissected and analyzed perhaps *in extremis* during the past decade. It would be desirable to take a more detailed look at the business enterprise.

Two additional research proposals might well flow out of the Coleman suggestion. In one direction, the study of management responses (or management actions, if one feels they are not the "responders") might well be tied into a study of the theory of decision making as an interdisciplinary venture. In the other direction there is an ever-increasing recognition being given to the impacts of employer-union relations upon the economy. One recent statement of this is found in the belief that whereas the wage structure formerly accommodated itself to monetary policy, the opposite is contemporarily the case.<sup>3</sup>

What *are* the impacts upon the economy of the interactions of employers and unions? Are the parties cognizant of such impacts? Does cognizance tend to modify decision making patterns and processes? We have had some exploration of these matters. But we need more. Here also is an area where the industrial relations specialist could well collaborate with specialists in economic theory, fiscal policy, and other relevant fields. Undertakings in both of these areas would well make for "an increasing linkage of research and theory" which the Derber paper notes is desirable.

One final comment, written after the close of the meetings. Conferences on methodology need not be necessarily sterile. This one certainly was not. It is my belief, in fact, that one reason for the fruitfulness of much recent research in employer-union relations has been a keen awareness of the methodological issues involved. In the free market place of ideas this is a most useful commodity.

JACK BARBASH

*Industrial Union Department, AFL-CIO*

It is good that we are engaged in this stocktaking of union-management research. The post-World War II period has brought in a new look in industrial relations research. It is time that we appraise where we are going and why.

The papers under discussion serve a useful purpose in this process

<sup>3</sup> See, for example, R. G. Hawtrey, *Cross Purposes in Wage Policy*, New York: Longmans, Green and Co., 1955; and J. R. Hicks, "Economic Foundations of Wage Policy," *The Economic Journal*, Vol. LXV, No. 259, September 1955, pp. 390-404.

of self-evaluation. Professor Derber puts a special stress on methodological problems in research; Professor Coleman singles out "one segment" of union-management research—union penetration of management functions.

I found Professor Derber's paper useful for its competent highlighting of the main trends in union-management research. My chief criticism boils down to what I suppose is a difference of opinion and perhaps temperament.

I do not believe that a persistent and self-conscious preoccupation with methodology in union-management research will yield generalizations, theories and insights commensurate with the expenditure of the intellectual and financial resources involved.

The post-World War II era in industrial relations research may well go down in history as the era of methodology. Of the four changes in the focus of union-management research in this period, as ably synthesized by Professor Derber, three have strong methodological implications: "the mounting influence of sociological and psychological concepts and methods, the increasing utilization of research teams, particularly of an interdisciplinary character, and the move from description-analysis to the formulation and testing of general hypotheses and theories."

My criticism of the prevailing winds in union-management research may be more intelligible if I indicate my angle of vision. I conceive the function of research to be: (1) improvement of vocational or professional competence—in the case of industrial relations research—to sharpen the skills and insights of practitioners in union-management relations. By practitioners I mean to include also the professional third parties whether they be government representatives or private arbitrators in addition to the representatives of the union and management interests; and (2) the pursuit of idle curiosity—to use Veblen's phrase—so as to extend the reach of human knowledge. This must be real knowledge and not alone to establish status within the academic craft although this is important too, I suppose.

Of course, these are not mutually exclusive purposes. There is a good deal of interaction. What is idle curiosity in one period becomes part of the vocational stock in trade of another period. But with respect to any given time period, I think these purposes have a rough kind of validity.

I can not say with any certainty what the vocational impact of recent union-management research has been. I am not aware of any recent union-management innovation which is significantly traceable

to or has been generated by research. Nevertheless, I think the impact of research on the whole has been important, not so much with respect to anything specific but with respect to the total vocational climate of union-management relations.

In mass production industry particularly, I think I detect a professionalization of union-management relationships in which industrial relations administrators tend to look at their collective bargaining problems clinically rather than cynically. Or if I am compelled to put it less poetically, "The labor relations professional [in industry]," I have said in another place, "can more easily face the union representatives without feeling that his life's blood is at stake." Union-management research has played a role in creating this climate by developing a heightened sensitivity to the issues at stake and has encouraged, I believe, pragmatic accommodation rather than a glandular response.

To be sure, the fundamental force at work in this reorientation of the vocational climate in which union-management relations function has been the unions' practical demonstrations that they did in fact command the loyalty of the workers they represented.

The pursuit of idle curiosity in union-management relations research has proceeded on a massive scale. We now have a body of information about the intimate details of union-management relations—particularly since the votaries of the interdisciplinary movement have come into the act—that positively frightens me. I have some questions about the quality of the research and here is where, I think, I take a somewhat dimmer view of trends and prospects than does either Professor Derber or Professor Coleman. The better work in this field, I should say, has given additional depth to several areas of union-management relations.

Let me tie in this dyspeptic view to the categories set forth by Professor Derber, which I have just quoted. First, "the mounting influence of sociological and psychological concepts and methods." Since my comments purport to be a discussion and not a main paper, my criticism is put in shorthand terms which may have the effect of giving them a rather sharper cutting edge than I intend.

My first criticism directed at the run-of-the-mill research is that the interdisciplinary approach amounts to nothing more than the rendering of a given set of facts—frequently quite commonplace—from one system of semantics into another system of semantics. Thus we find the use of such concepts as belief systems, networks of informal relationships, dual allegiance, power, bureaucracy which, in

many instances, do nothing more than to over-glamourize the significance of commonplace and unimportant occurrences in the plant or union. What is more, the use of stylish words tends to impart an air of discovering new truths when all that has happened is that commonplaces have been labeled in a way to give them reputable status in the particular discipline. It becomes increasingly apparent that the purpose of many of these interdisciplinary enterprises is not to illuminate but to cater to the sociology and psychology carriage trade.

Not that economists aren't almost as guilty of these semantic antics. The vogue to reduce all manner of complex social and human problems to a series of models has been applied to the industrial relations field with little if any illumination of real problems that I can discover.

Questionnaires have, it needs to be said, a limited usefulness in probing attitudes and motivations in life situations. The compulsiveness with which questionnaires and "survey instruments" have been used as a substitute for reflection and thoughtfulness about problems, which will yield only to thinking but not to counting, is another disturbing feature of the new look in union-management research.

I have seen little concrete evidence that the "increasing utilization of research teams" has made a significant contribution to our field. First of all, a considerable amount of time is wasted on committee meetings which has always been the bane of creative thinking. By the time any idea gets through the mangle of the academic committee meeting, the stamp of individual quality, insight and enterprise has been mutilated beyond recognition.

Secondly, the research team, with its accompanying hordes of research assistants, imposes disciplines on a research undertaking that have little to do with creative research. The passion for bigness, of which the research team is a by-product, has given the professional a new type of operator, the research entrepreneur. The contribution of the research entrepreneur is to assemble the factors of production in research. By this time the research entrepreneur—and some of my best friends are research entrepreneurs, so I speak only from envy—has little time or inclination to engage in research. This is too bad because most of them are talented men and are capable of making a contribution beyond that of a research manager.

Now as to the move—in Professor Derber's words—"from description-analysis to the formulation and testing of general hypotheses and theories." We need to assess very candidly where we are headed

here. I regard it as very interesting that, insofar as we talk about theory, the point of reference for most discussions is still Selig Perlman's Theory of the Labor Movement. It is, first of all, a tribute to the durability of Professor Perlman's intellectual performance but it is also a commentary on our own research performance that our intensive involvement in union-management research, and indeed the revolution in union-management relations in the past 20 or 25 years has not yielded a "theory" of intellectual stature comparable to the Perlman theory.

I think it is also interesting that Professor Derber could write authoritatively about union-management research in the United States without making reference, even allusively, to a great illuminating generalization or insight that has emerged from the new look in union-management research. This is not intended as a reflection on Professor Derber but on the quality of the research.

For myself, I am forced to conclude that insightful theory and generalization are not the inevitable outcomes of systematic research routines but require intellectual effort. I go even further. I suggest that the mechanical and entrepreneurial problems involved in an excessive preoccupation with methodology actually frustrate intellectual effort. In large part this state of affairs is attributable to the nature of the raw material in union-management research. We are dealing here with complex and elusive attitudes, motivations and actions. The mechanics of discovering consumer preferences in oatmeal have little to do with how you go about finding the determinants of a collective bargaining relationship. In the last analysis, union-management relationships cannot be reduced sensibly to a series of indexes.

I like what I understand to be Professor Coleman's approach to the problem at hand. He wants to sharpen our knowledge and insights in an important segment of union-management relations. I am not, however, certain that the formulation—to use his words—"the notion of the union as a challenger and management as a respondent in industry" will yield the most illuminating results. In fact, I think that the formulation almost begs the question. It begs the question because it assumes that there exists a *generalized* challenge, with a capital C, that the union is hurling at management. The notion of the generalized challenge is responsible for a lot of muddled thinking about management rights and how the union is invading management rights.

But whether I am right or wrong on this issue is immaterial at this point. There is a fundamental rule of semantics that you can't get a right answer unless you ask a right question. I am suggesting that Professor Coleman reformulate his question. Instead of viewing the role of the union in the plant as a "challenge"—which carries with it a loaded emotional charge—he should investigate the problem at hand as a process of interaction and accommodation between union and management. And that, in addition to finding out what union and management people say they think about it, he should find out for himself what they *do* about it in specific problem areas like seniority, union security, etc.

I do not find management comments, such as the one quoted by Professor Coleman—"The union has got us in a strait-jacket. We just don't have room enough to turn around in either on wages or on working conditions."—very meaningful as to what is really happening.

I do not want to be understood that methodology on the grand scale has no place in union-management research. It does have a place. A very limited place. The point of my comment, if it *has* a point, is that we must reorient our research approaches to reinstate the researcher as creative scholar to the center of our research scheme of things. We must not become victimized by the research fashions of the moment so as to submerge the critical element of scholarly perception and insight in a swamp of procedures and intramural conversation.

I think it is no accident that the new look in union-management research has not yet turned up a Commons, a Hoxie, or a Barnett. As events turned out, they weren't always right but even when they were wrong, they were challenging and provocative in a way to **give** research in this field a larger meaning and purpose. What all of these men had in common was, first of all, they were their own investigators for the most part. Secondly, they were men of insight, cultivation and humane social feeling. They had an interdisciplinary outlook in the most meaningful sense of the term.

THOMAS KENNEDY

*Harvard Graduate School of Business Administration*

I should like to comment on three aspects of Dr. Derber's paper. I can pose these in the form of questions:



1. Has research in union-management relations reached the point of diminishing returns?
2. What specific union-management relations subjects are especially in need of research?
3. To what extent should the emphasis be on creative as opposed to reporting research?

In the first sentence of his paper, Dr. Derber points out that some of the most thoughtful scholars in the field have reached the conclusion that "the study of current union-management relations has reached the point of diminishing returns and that we should turn to other directions for creative results." Dr. Derber does not agree with that point of view and as a representative of management, I strongly concur with Dr. Derber. Many important areas which could offer results of practical value to management have not been explored adequately. Perhaps even more important, much valuable research has been rendered obsolete by changing conditions.

In the 30's we were going through a period of the organization, establishment and acceptance by management of large unions. During World War II governmental regulations limited free collective bargaining to unimportant areas. The immediate post-war period, the Korean war period and the post-Korean war period were marked by a spiral of inflation and an unusual seller's market in both goods and labor in practically every industry.

One hesitates to say that, for the first time since labor-management relations became really important in this country, we have entered a period which may be called "normal." In a field so dynamic as union-management relations it is difficult to define "normal." What one can say, perhaps, is that conditions both within the union-management field and in those areas outside which vitally affect it are very different today than they were 20, 10, or even 5 years ago.

As a result, much of the good research completed some years ago is no longer applicable to present conditions. It is historically important and may still be of some practical value in those areas of our economy which have lagged behind in union-management development but it does not describe reality throughout most of the field today.

Dr. Derber has stated "we can learn much about the dynamics of union-management relations by repeating some of the better studies of the past." I would go further. I believe the whole field is in need of re-analysis in view of the changed conditions. This view is con-

firmed by the broad study of union-management relations now in process at Harvard under Professor Slichter. Both Professor Slichter and Professor Livernash inform me that changed conditions have rendered obsolete many of the best studies in the field.

#### AREAS OF RESEARCH

Turning to the second question—what specific areas of union-management relations are especially in need of research—I believe that there are many many areas in which research of practical value to management can be carried out. With the limited manpower available we shall never be able to cover all of them and it is important, therefore, that we concentrate on those which appear to offer most promise. It is difficult to know in advance, however, which areas will prove to be most profitable and I would hesitate to discourage research in any area so long as the researcher exhibits real enthusiasm for it. The most important contributions may lurk in those areas which on the surface do not appear very attractive to many of us.

If we constituted a research committee, such as some companies have, with the power to decide the areas in which research should be carried out during the next several years, I am sure we would have great difficulty reaching a unanimous decision. Dr. Derber has mentioned five areas in which he believes research might prove especially profitable. I would like to suggest four more areas, it being understood that I do not believe that these exhaust the field.

1. *The monopoly aspects of union-management relations.* This is a problem to which I think we shall be forced to give increasing attention. As more and more industries become completely organized and as collective bargaining becomes, in effect, industry-wide can we depend upon negotiations to protect the interests of the consumer as well as those of management and labor? I don't know the answer but I believe we need careful research and analysis in this area.
2. *Union administration as it affects union-management relations.* Unions have become large and important institutions and as such they now have difficult problems of leadership development and effective administration which occur in all large institutions. These in turn affect union-management relations. Union representatives with whom I have discussed the problem recognize the need for and would welcome research in this area.
3. *Wages and automation.* Collectively bargained wage methods and structure throughout large sections of industry are being

rendered obsolete by automation. Management and labor need the benefit of careful research and the considered judgments of the academic group in this area.

4. *Benefit plans and union-management relations.* The growth of negotiated benefit or welfare plans has been greater than most of us would have anticipated. There seems to be no limit in this area and I am not suggesting that there should be. Quite obviously, however, this development could proceed in a number of directions. Both management and labor need the guidance of competent research in this area if the best public interest is to be served by these burgeoning plans.

#### CREATIVE RESEARCH

Much of the research by college and university people in union-management relations in the past has been of the reporting variety. A particular relationship such as the American Federation of Hosiery Workers and the hosiery manufacturers develops over a period of years. Then along comes a researcher who carefully studies, describes, and analyzes the relationship.

To be sure if he is a competent researcher he is likely to uncover certain relationships which the parties themselves had not recognized. He may also see certain inconsistencies and dangers in the practices of the parties which had not been apparent to them. His most important contribution, so far as management and labor in general are concerned, however, is likely to be his ability to detect novel and unique developments which have transfer value to other labor-management relationships. He may find, for example, that the parties have developed new and effective techniques for settling certain types of grievances in the early steps of the grievance procedure. These techniques may prove to be valuable in other union-management relationships. The researcher performs a valuable service in reporting this to all of industry.

It should be recognized, however, that the creative work was done by the parties, themselves. It was they, not the researcher, who developed the new techniques. I do not mean to be critical of such research. It has been and will continue to be very valuable to management. We need more, not less of it. Practitioners can always learn from the experiences of other practitioners.

It is interesting to compare this type of research with that which occurs in the medical field. There, although the reporting of the experiences of practitioners is important, the major creative advances

are made by the researchers themselves. The researchers actually create the new materials, new methods and new practices, which after careful testing, they pass on to the practitioner for administration.

The medical researchers have the advantages which are inherent in a laboratory science—advantages which we lack in large measure. It is more difficult for us to carry out creative research and it is more difficult still for us to convince the practitioners that our results are practical. A considerable amount of this type of research, however, has been and is being done in union-management relations by people in the academic world. Its contribution to union-management relations has been most significant.

Frequently the two types of research are combined. It is difficult for me to see how anyone can do effective research in union-management relations until he has thoroughly familiarized himself with actual conditions in the field through reporting research. But the fertile mind goes beyond the facts of these case studies to suggest and analyze new ideas and practices.

The practical value of creative research was illustrated in a spectacular manner in the recent development of S.U.B. by labor and management in the automobile industry. Descriptive research previously had been done on a number of guaranteed annual wage plans but these offered little positive guidance to the parties because the nature of their problem was so different in both substance and scope. They were forced to pioneer into new areas of union-management relations and such pioneering was to be on such a scale as to exert a major effect not only on the industry but on the whole economy.

What was required was creative research—research which suggested and analyzed *new* ways of meeting an old problem. Reports of what had been tried elsewhere were important but intelligent objective imagination, coupled with a broad knowledge of union-management relations, was far more important. Also important was the ability to call together a team of experts capable of projecting the likely results of the imagined proposals.

An expansion of this type of applied creative research in the academic world could become more and more valuable to management and labor especially in the pattern-setting collective bargaining relationships. In closing, therefore, I would simply restate my earlier question—Have we reached the point where the thrust in research in union-management relations, at least among the more mature researchers in the academic group, should be less in the direction of reporting and more in the direction of creativity?

## **Part XI**

# **BUSINESS REPORTS**

# PROGRAM OF NINTH ANNUAL MEETING

Cleveland, Ohio, December 28 and 29, 1956

Cleveland Hotel

FRIDAY, DECEMBER 28

9:00 a.m. (Joint Session with AEA)

## UNDERLYING CHANGES WITHIN THE AMERICAN LABOR MOVEMENT

Chairman: David A. McCabe, Princeton University

Papers:

(a) *Structural Changes in the American Labor Movement and Collective Bargaining*

John T. Dunlop, Harvard University

(b) *Observations on the Changing Character of American Labor Unions*

George W. Brooks, International Brotherhood of Pulp, Sulphite and Paper Mill Workers

Discussion:

Woodrow L. Ginsburg, United Rubber, Cork, Linoleum and Plastic Workers

Edwin Young, University of Wisconsin

9:30 a.m.

## OPINION SURVEYS IN RESEARCH AND POLICY

Chairman: Arthur Kornhauser, Wayne State University

Paper:

*The Use of Survey Techniques in Research and Policy Determination in Industrial Relations*

Robert L. Kahn and Floyd Mann, University of Michigan

Discussion:

Karlton W. Pierce, Ford Motor Company

Nat Weinberg, UAW-CIO

Herbert Heneman, University of Minnesota

2:30 p.m.

FREE TRADE UNIONISM IN FOREIGN AFFAIRS

Chairman: David L. Cole, Cole, Morrill, and Berman

Paper:

*Free Trade Unionism and the World Crisis*

Jay Lovestone, Free Trade Union Committee, AFL-CIO

Discussion:

Frederick Harbison, Princeton University

Everett Hawkins, Mount Holyoke College

Paul Fisher, Foreign Operations Administration

Abraham Siegel, Massachusetts Institute of Technology

3:00 p.m.

CHANGES IN MANAGEMENT'S PHILOSOPHY OF INDUSTRIAL  
RELATIONS

Chairman: William Haber, University of Michigan

Paper:

*The Changing Industrial Relations Philosophy of American  
Management*

Douglass V. Brown and Charles A. Myers, Massachusetts  
Institute of Technology

Discussion:

Leland Hazard, Pittsburgh Plate Glass Company

Neil Chamberlain, Columbia University

Howard Kaltenborn, Industrial Relations Counselors, Inc.

SATURDAY, DECEMBER 29

9:00 a.m.

MAJOR POLICY ISSUES IN SOCIAL INSURANCE

Chairman: Edison Bowers, Ohio State University

Paper:

*Unemployment Insurance and Workmen's Compensation*

Herman Somers, Haverford College

## Discussion:

William Wandel, Nationwide Insurance Companies  
Robert R. France, University of Rochester

9:00 a.m.

## THE CONSEQUENCES OF MINIMUM WAGES

Chairman: Carroll Daugherty, Northwestern University

## Papers:

*Economic Effects of a Nationwide Minimum Wage*  
Harry Weiss, U. S. Department of Labor

*Social and Economic Implications of Minimum Wage  
Legislation*  
Fred Blum, University of Minnesota

## Discussion:

John Van Sickle, Wabash College  
Lazare Teper, International Ladies' Garment Workers' Union  
Arnold Tolles, Cornell University

12:30 p.m.

## LUNCHEON AND PRESIDENTIAL ADDRESS

*Progress in Industrial Relations and Policy*  
Richard A. Lester, Princeton University

2:30 p.m.

## ECONOMICS OF THE SHORTER WORK WEEK

Chairman: Ewan Clague, U. S. Department of Labor, Bureau of  
Labor Statistics

## Papers:

*Hours of Work and Hours of Leisure*  
H. Gregg Lewis, University of Chicago

*The Shorter Work Week: Costs and Benefits*  
Melvin Reder, Stanford University



2:30 p.m.

RESEARCH IN UNION-MANAGEMENT RELATIONS

Chairman: Paul Webbink, Social Science Research Council

Papers:

*Research in Union-Management Relations: Past and Future*

Milton Derber, University of Illinois

*Research on Union Challenge and Management Response*

John Coleman, Carnegie Institute of Technology

Discussion:

Thomas Kennedy, Harvard Graduate School of Business  
Administration

Jack Barbash, AFL-CIO

John Turnbull, University of Minnesota

## EXECUTIVE BOARD MEETING

*Milwaukee, Wisconsin, May 4, 1956*

The Executive Board of IRRRA met in Milwaukee, May 4, 1956, at 6:30 p.m. Present were Board Members Chamberlain, Fleming, Killingsworth, Stark and Tripp, and Nominating Committee Chairman Witte. In the absence of President Lester, Mr. Tripp presided. Mr. Witte reported for the Nominating Committee. The persons going off the present Executive Board at the end of 1956 are: Cole, Daugherty, Peck, Ruttenberg, Seitz and Tiffin. President Lester will automatically replace Reynolds in 1957. Mr. Chamberlain moved to accept the report of the nominating committee. Mr. Fleming seconded the motion, and it passed unanimously, with the understanding that the report should be circulated among the absent Executive Board members.

Harold Davey came into the meeting to report on the 1958 volume on Collective Bargaining. The three members of the editorial board are Davey (chairman), Stanley Ruttenberg and Howard Kaltenborn. They have set a meeting for May or June at the latest. The title is still tentative: "New Impacts on Collective Bargaining." The book is to be selective, taking four or five areas and treating them thoroughly: the merger, fundamental technological change, the general problem of income security (a still moot section on depressed industries, for which another section may be substituted), a possible section on public policy (on which Mr. Davey asked for an expression of opinion from the Board). It was agreed that a rough draft of a table of contents would be sent to Executive Board members and possibly others in graduate centers of study in industrial relations for comment and suggestions.

Mr. Davey was asked to report in his capacity as chairman of the Research Committee. He stated that he has sent a request to the members of the committee asking for suggestions for the 1959 volume.

Mr. Chamberlain reported on his Ten-Year Survey volume. His committee (Chamberlain, chairman; Theresa Wolfson, Frank Pierson) suggest six topics to be covered in a proposed Volume I, to be followed at a later date by a proposed Volume II. The committee's outline shows six other topics which suggest a second volume, though its content would presumably be up to a new editorial board. Chamberlain stated that the Survey is to be a critical review, not new research, in contrast to the volume on Collective Bargaining.

Mr. Killingsworth moved that a new chairman be named for the

second Survey volume, with a new board of two people and the present chairman to serve on the new board. Mr. Stark seconded the motion, and it was carried.

Mr. Killingsworth moved that Volume II of the Survey be scheduled for 1959 publication. Mr. Chamberlain seconded the motion. The motion carried. It was stated that this action leaves Mr. Davey in charge of editing the 1958 volume, with the Research Committee to help suggest personnel for the 1959 volume.

Mr. Davey suggested the desirability of the Research Committee keeping in closer touch with the editorial board of the special volume.

Mr. Tripp stated that there was nothing further to report on the 1956 annual meeting in Cleveland. Local arrangements are in the hands of Dallas Young, and program is being worked out by Lester and Witte.

The place of the spring meeting in 1957 was discussed. It was agreed to poll the members of the Executive Board by mail, mentioning where other meetings are going to be held, on whether to hold the spring meeting in 1957 in St. Louis or in Washington, D. C.

The Editor reported that the Proceedings of the Eighth Annual Meeting are now in the printing process, and that the Human Relations volume is expected to be out in the fall.

The Secretary-Treasurer presented membership and financial reports. Membership is up somewhat from last year at this time. The membership committee has been working to secure new members, and their work is producing results. The Secretary-Treasurer stated that publicity for the Cleveland meeting will be in charge of John Herling and his committee.

The Secretary-Treasurer reported that eight local chapters are functioning at the present time. He presented a letter from a group of members in Philadelphia requesting recognition as a local chapter. A set of Bylaws was presented along with the letter. Mr. Killingsworth requested recognition for a local chapter at East Lansing and filed a copy of their Bylaws for approval. Mr. Tripp stated that if there were no objections from members of the Executive Board, recognition was considered granted to both applicants. There was no objection.

The Secretary-Treasurer brought up the matter of the proposed membership poll on time of meeting and nature of program. This is to be sent out sometime before the annual meeting in Cleveland. Mr. Stark suggested distributing a questionnaire, such as used by advertising people, at actual sessions asking those present to take the last

five minutes of the session to evaluate it from the point of view of content, interest, etc. The suggestion was tabled, with the opinion expressed that it might be a useful device to try at some future time.

The meeting adjourned at 10:00 p. m.

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## EXECUTIVE BOARD MEETING

*Cleveland, Ohio, December 28, 1956*

The Executive Board met December 28, 1956, at 5:00 p.m. in the Hotel Cleveland with the following members present: President Lester (presiding), Board Members Caples, Chamberlain, Edelman, Fleming, Killingsworth, Stark, Wallen, and Secretary-Treasurer Young.

Minutes of the Milwaukee meeting were accepted, and the secretary-treasurer reported for the elections committee that the following were elected: Dale Yoder, President; Emily C. Brown, Otis Brubaker, Harry M. Douty, Howard Kaltenborn, Jean T. McKelvey, and Harry Weiss, members of the Executive Board.

The membership report showed that membership had not changed very much the last year, and the Secretary pointed out that the only satisfactory method for obtaining new members was through the efforts of the present membership.

The financial report was accepted.

Next the Board turned to a discussion of the questionnaire which had been sent to the membership polling them on time, place and program of meetings. The results of the poll indicated that a majority of the members would prefer meeting in early September as against meeting at Christmas time with the American Economic Association, but that a much larger majority preferred alternating the annual meetings between December and September. A sizeable proportion of the membership also indicated that they would like to meet with the American Political Science Association, the American Psychological Association, and the American Sociological Association. For the annual meeting programs, the members indicated a preference for prepared-papers-and-discussants, over panels; and for two papers and two discussants for any one session. A clear majority of those replying indicated that the sessions were just the right length. Nearly

all agreed that there should be more audience participation and that the authors should have the papers mimeographed for distribution.

The Board voted to experiment with a September meeting in 1957 and authorized the President and the Secretary-Treasurer to attempt to make arrangements with the American Political Science Association for joint meetings in New York in September, 1957. It was the understanding that in the even-numbered years annual meetings would be held jointly with the American Economic Association, since these are the years when the various Social Science groups try to meet together.

Professor Chamberlain presented the outline of the 1957 volume and explained that it was well under way and would meet the publication deadline. Professor Davey presented the outline for the 1958 volume, which is on collective bargaining, and said that most of the arrangements for that were completed. Editor Reed Tripp's report was distributed to the Board, and Professor Tripp was authorized to use whatever reasonable methods he could find to speed up the publication date of the Annual Proceedings.

The Secretary-Treasurer was authorized to work out some kind of supplement to the 1956 Proceedings, or a separate supplement to the Membership Directory which would at least list the new members since publication of the 1954 Directory.

The Secretary-Treasurer and the Editor were reappointed for three-year terms. The President was authorized to ask Mr. Freidin to be the Legal Counsel.

The meeting adjourned at 6:00 p.m. for the Annual Board dinner.

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## EXECUTIVE BOARD MEETING

*Cleveland, Ohio, December 28, 1956*

At 7:30 p.m. the new Executive Board met, with President Dale Yoder presiding. Present were: Brown, Caples, Chamberlain, Douty, Edelman, Fleming, Kaltenborn, Killingsworth, Lester, Stark, Weiss and Young.

Plans for the Washington meeting were discussed, and it was agreed that the best time for the meeting would be the last week in April.

A discussion followed of the program for the next annual meeting, and various members of the Board gave suggestions to President Yoder on topics that would be of interest to political scientists as well as to members of our Association. It was also stressed that the program should contain materials of interest to union-management people as well as academic persons. In addition to the Board's suggestions, the President took the list of suggestions mailed in by many members in their questionnaire answers.

Professor Davey reported for the Research Committee with a recommendation that the 1959 volume be Volume II of the Ten-Year Survey, and that Professor Kornhauser be invited to be chairman of the committee, with Professor Chamberlain as one of the members. The Research Committee also recommended that teaching conferences such as those held at Illinois, Madison, and Lindenwood in previous years be held in various parts of the country. The Board voted to encourage such conferences when local groups are willing to take the initiative and carry through the programs.

It was moved and voted that the President bring to the April meeting of the Board a list of nominees for a new Research Committee, with a plan for regular appointments with terms that would expire in different years.

The Board voted to hold the spring meeting of 1958 in St. Louis, Missouri.

The Board authorized the President to invite Professor Lloyd Reynolds, a past president of the Association, to be chairman of the nominating committee for 1958 and to select other members subject to the Board's approval.

The Board approved issuing certificates of recognition to local chapters at Toledo, Ohio, and at Columbia University.

A tentative decision was made to publish a membership directory in 1960.

The Board emphasized that the newly-elected officers and members of the Executive Board are to take office January 1 of each calendar year, no matter whether the annual meeting is held in September or in December.

The meeting adjourned at 9:00 p.m.

(COPY)

## KELLOGG, HOUGHTON AND TAPLICK

CERTIFIED PUBLIC ACCOUNTANTS

Insurance Building  
Madison 3, Wis.

December 17, 1956

Executive Board  
Industrial Relations Research Association  
Madison, Wisconsin

Gentlemen :

We have examined the financial records of the Industrial Relations Research Association for the fiscal year ended November 30, 1956. Our report consists of this letter and the following exhibits :

Exhibit "A"—Statement of Cash Receipts and Disbursements for the Fiscal Year Ended November 30, 1956

Exhibit "B"—Comparative Statement of Cash Receipts and Disbursements for the Fiscal Years Ended November 30, 1955 and November 30, 1956

Exhibit "C"—Bank Reconciliation as at November 30, 1956

The available cash resources of the Association on November 30, 1956 totaled \$14,266.72. This total consisted of a net bank balance in the First National Bank, Madison, Wisconsin of \$9,266.72 as shown in Exhibit "C", and a \$5,000 investment in Certificate No. 3384 at the Home Savings and Loan Association. Confirmations of these balances were received directly from the respective depositories.

For the fiscal year ended November 30, 1956 cash receipts, less refunds, totaled \$11,855.47 and cash disbursements totaled \$12,663.25. As shown in Exhibit "B" this represents a decrease in cash receipts of \$4,285.73 and a decrease in cash disbursements of \$138.39 when compared to receipts and disbursements for the fiscal year ended November 30, 1955. The decrease in membership dues of \$4,547.89 resulted primarily from a later dues billing date than in the previous year.

As a part of our examination we footed recorded cash receipt entries in the membership dues, sales, subscriptions and miscellaneous income journals, compared cash receipts with bank deposits, examined all available cancelled checks in support of cash disbursements, and examined paid invoices on file. Bank deposits per bank statements plus cash receipts used for petty cash disbursements totaled \$12,419.51, and cash receipts as recorded in the various receipt journals totaled \$11,735.20, a difference of \$684.31. This indicates that cash receipts totaling \$684.31, although properly deposited, were not recorded in any of the receipt journals. This amount is included under miscellaneous receipts in Exhibits "A" and "B" since the proper classification of the items included is unknown. So that all receipts are properly recorded in the future, it is suggested that each bank deposit be reconciled to the respective recorded cash income entries.

Subject to the exception as noted in the previous paragraph, it is our opinion that the statement of cash receipts and disbursements represents correctly the cash transactions of the Association as recorded for the fiscal year ended November 30, 1956.

Respectfully submitted,  
**KELLOGG, HOUGHTON AND TAPLICK**  
*Certified Public Accountants*

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INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

MADISON, WISCONSIN

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Fiscal Year Ended November 30, 1956

*Cash Balance*—December 1, 1955..... \$10,074.50

*Cash Receipts:*

Membership Dues.....	\$8,434.70
Subscriptions.....	614.50
Sales.....	712.98
Mailing List.....	265.79
Interest.....	150.00
Royalties.....	511.61
Miscellaneous.....	1,165.89

Total Receipts.....	11,855.47
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Total Cash.....	\$21,929.97
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*Cash Disbursements:*

Secretarial Salaries.....	\$1,836.57
Withholding and Social Security Taxes.....	410.37
Printing.....	364.25
Postage.....	388.23
Services.....	1,007.00
Publications.....	8,206.44
Supplies.....	71.51
Travel, Conference, and Meeting Expenses.....	330.75
Telephone and Telegraph.....	48.13

Total Disbursements.....	12,663.25
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<i>Cash Balance</i> —November 30, 1956.....	\$ 9,266.72
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(KELLOGG, HOUGHTON AND TAPLICK)



## **Part XII**

# **LOCAL CHAPTER REPORTS**

## LOCAL CHAPTER REPORTS

### CORNELL CHAPTER

*Officers:* President: Thomas H. Patten, Jr.; Secretary-Treasurer: John W. Leonard; Executive Board: Roger W. Walker, James Morris, John Windmuller.

We try to have an informal luncheon-speaker meeting at least once a month, although sometimes we do not. In 1956 we had speakers talk on "Compensation and Pension Recommendations of the President's Commission on Veterans' Pensions," "Current Trends in Labor Relations in Latin America," "Inside a Wage Board: Dry Cleaning," "A Re-evaluation of the Hawthorne Studies," "Human Relations in Industry in Venezuela," "Arbitration in Australia," "Hiring Practices on the New York City Waterfront," "Determination of Appropriate Bargaining Unit under the Taft-Hartley Act and the Railway Labor Act," and "Personnel Practices in New York State Retail Stores."

We have an annual banquet each May and invite a speaker of national reputation in the field of industrial relations. In May 1956 we had William Davis who spoke on his experiences on the NDMB and WLB. We have not chosen, as yet, our speaker for 1957.

Report submitted by THOMAS H. PATTEN, JR., *President*

### DETROIT AREA CHAPTER

The Detroit Area IRRRA Chapter, now three years old, continues to rely on monthly dinner meetings at Wayne State University as the principal vehicle for bringing together persons in the community with a common professional interest in industrial relations. Attendance at our dinner meetings ranges between 50 and 75 persons each month.

Our dues-paying membership now numbers 145, compared to 85 in 1955 and 125 in 1956. The occupational distribution is roughly as follows: management, one-fourth; union and academic, one-fifth each; government officials, arbitrators, lawyers, and consultants, one-third.

Since March, 1956, our monthly programs have been as follows:

"Taft-Hartley Act in 1956 and a Look Ahead," by T. C. Kamnholz, General Counsel, National Labor Relations Board

"Our Hospital Bills: How Should They Be Paid?"

Moderator: George E. Bowles, Chairman of Michigan Labor Mediation Board and Chairman of Governor's Study Commission on Prepaid Hospital Care Plans

Panelists: Harry H. Leathers, Assistant Manager, Group Insurance Department, Marsh & McLennan, Insurance Consultants

H. G. Pearce, Assistant Director, Michigan Hospital Service (Blue Cross)

Jerome Pollack, Social Security Consultant, United Automobile Workers, AFL-CIO

"Human Relations and Their Effect on Productivity," by Sir William Grant, C.B.E., Director, Engineering and Allied Employers West of England Association

"The Manpower Implications of Automation and Productivity Growth," by Ewan Clague, Commissioner of Labor Statistics, U. S. Department of Labor

"The Use and Abuse of Mediation," by E. Marvin Sconyers, Commissioner, Federal Mediation and Conciliation Service

Commentators: Harry Southwell, President, UAW Local 174

Charles Wright III, Beaumont, Smith & Harris

George E. Bowles, Chairman, State Labor Mediation Board

Moderator: Leonard A. Keller, Attorney

"The Impact of Social Research on Organizational Change," by Robert L. Kahn and Lloyd C. Mann, Program Directors, Survey Research Center, University of Michigan and Chairman, Arthur Kornhauser, Professor of Psychology, Wayne State University

"The Community Health Association—A New Approach to Prepaid Medical Care in Michigan," by James Brindle, Acting Executive Director, CHA, and Director, UAW Social Security Department

"Inbuilt Conflicts Within Organized Labor and Their Collective Bargaining Implications," by Stanley H. Brams, Editor and Publisher, *Labor Trends*, with Commentators Andrew McFarlane, President, Detroit and Wayne County Federation of Labor, and Brendan Sexton, Director, Education Department, United Automobile Workers

The following is from our 1956-57 membership application form which lists this year's officers and advisory board members. This is our only promotional literature.

*1956-1957 Officers*

*President*, Mark L. Kahn, Wayne State University; *Vice President*, E. Marvin Sconyers, Federal Mediation & Conciliation Service; *Secretary*, Gabriel N. Alexander, Arbitrator; *Treasurer*, John M. Maguire, Detroit Edison Company.

*Advisory Board*

Stanley H. Brams, Detroit *Labor Trends*; Edward L. Cushman, American Motors Corporation; Ronald W. Haughton, Wayne State University; Lucy P. Herrscher, American Arbitration Association; Clement J. Lewis, Utility Workers Union; Charles C. Killingsworth, Michigan State University; Homer D. Swander, Michigan Bell Telephone Company; William E. Stirton, Jr., Automotive Tool & Die Mfrs. Association; James Stern, UAW International Union; Boaz Siegel, Wayne State University; A. L. Zwerdling, Attorney.

The activities of this Detroit-Area IRRA Chapter, conducted primarily through its periodic meetings, aim at securing for members "the advantages of free exchange of ideas among persons who are interested in industrial relations."

This local IRRA affiliate hopes thereby to promote the purposes of the national organization, which are:

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

"The Association will take no partisan attitude on questions of policy in the field of labor, nor will it commit its members to any position on such questions." (IRRA *Constitution*, para. 2.)

Membership in the national IRRA is not a condition of Detroit-Area Chapter membership, except that local Officers and Advisory Board members must belong to the national organization.

Report submitted by MARK L. KAHN, *President*

## UNIVERSITY OF ILLINOIS CHAPTER

The student chapter of IRRA at the Institute of Labor and Industrial Relations of the University of Illinois has been functioning for several years. Known as LIRA—Labor and Industrial Relations Association—it maintains a well-rounded program of activities for all Institute students, including participation in the University's intramural athletic program and the sponsorship of several social functions each semester, as well as participation with the faculty in curriculum and placement developments.

LIRA's principal activity, however, lies in its program for furthering the interest and knowledge of Institute students in Industrial Relations. In pursuing this program, we have during the past semester been fortunate to have had our invitations accepted by several outstanding speakers. These included Stanley Zagol, a former Institute student now Director of Personnel for the Home Manufacturing Company in Decatur, Illinois; Frank Cassell, Manager of Industrial Relations for Inland Steel; and Larry Connors, Chief Business Representative for the St. Louis district of the International Association of Machinists. This program was completed under the leadership of Fred Lorenz, LIRA president for the fall semester.

Elections for the spring semester have recently been held, with the new officers including: Phillip Saunders, President; John Cook, Vice President; Frank Sanders, Treasurer; Rodney Becker, Corresponding Secretary; John Spinner, Recording Secretary.

We plan to continue with a similar program of guest speakers for the spring semester. In addition, we hope to expand the function of the organization to include a closer contact with Institute alumni, and possible contact with similar student groups at other graduate schools across the country.

Report submitted by PHILLIP SAUNDERS, *President*

## MICHIGAN STATE UNIVERSITY CHAPTER

Mr. Eugene H. Jacobson, Department of Psychology, is President of the Michigan State University chapter. Melvin J. Segal, Department of Social Science, is Secretary-Treasurer. There are 56 paid members in the chapter.

Our program topics have been as follows:

"Job Evaluation in the Steel Industry," Dr. Jack Stieber, Labor and Industrial Relations Center, Michigan State University, September 24, 1956.

"The Handling of Emergency Disputes," Dr. George P. Shultz, Department of Industrial Relations, Massachusetts Institute of Technology, and Mr. George Bowles, Chairman, Michigan Labor Mediation Board, October 25, 1956.

"Collective Bargaining Trends in the Steel Industry," Mr. Ben Fisher, International Representative, United Steel Workers of America, November 14, 1956.

"Employee Attitudes in Italian Companies," Dr. Henry Clay Smith, Department of Psychology, Michigan State University. "Research in Italian Trade Unions," Dr. Joseph LaPalombara, Department of Political Science, Michigan State University, January 10, 1957.

"Administering Industrial Relations Policies in a Decentralized Corporation," Mr. Norman Ellis, General Director of Industrial Relations, Chevrolet Division, General Motors Corporation, February 18, 1957.

Report submitted by MELVIN J. SEGAL, *Secretary-Treasurer*

#### NEW YORK CHAPTER

Current officers of the Chapter are:

President: Benjamin B. Naumoff, Chief Examiner, National Labor Relations Board, Second Region, New York, N. Y.

Vice-President: Wayne L. Horvitz, Assistant Director, Personnel Relations, General Cable Corporation, New York, N. Y.

Secretary-Treasurer: Jack Chernick, Chairman, Research Program, Institute of Management and Labor Relations, Rutgers University, New Brunswick, N. J.

In addition to an Advisory Board which meets periodically with executive members to determine policy and program, the Chapter has, this year, had two very active sub-committees: a Committee on Program consisting of Wayne Horvitz; Leo Teplow, American Iron and Steel Institute; and Carl Carlson, International Association of Machinists; and a committee charged with organizing an essay contest open to undergraduates in the colleges and universities of the metropolitan New York area. The latter committee includes Professor Theresa Wolfson, Brooklyn College; Benjamin C. Roberts, attorney and arbitrator; and Morris Forkosch, Brooklyn Law School.

Meetings in the early part of 1956 were devoted to discussions of (1) collective bargaining from the psychological point of view, (2) trends in interpretation of the Labor-Management Relations Act by

the NLRB, and (3) symposia conducted by members of the Chapter on the objectives of labor and management in collective bargaining; and the validity of various criteria in wage determination. The symposium covering the objectives of labor and management in collective bargaining was later reprinted in the *Labor Law Journal*.

The Annual Dinner Meeting of the Chapter in May was addressed by Professor Neil Chamberlain of Columbia University, discussing the influence of unions on relative wage levels.

During the fall and winter months of 1956 it was decided that the Chapter program would concentrate on two general areas: (1) the changing philosophy and approach of management and union in collective bargaining and (2) the impact of automation. Meetings covering the first topic have already been held, including one symposium prepared by members of the Chapter. Arrangements have already been made for a talk by Professor George Taylor of the Wharton School on current wage theory, to be given at our Annual Meeting in 1957.

In order to encourage research and interest in the field of industrial relations by undergraduate students and to bring to the attention of students the activity and objectives of the IRRA, the New York Chapter arranged a prize essay contest. Announcements and rules of the contest were sent to liaison people in the various colleges and universities in the metropolitan New York area. The winner of this contest will be the guest of the IRRA at its May dinner and will receive a prize of a \$100 Government Bond. If possible, the paper will be read at this meeting of the Chapter.

#### PHILADELPHIA CHAPTER

The Philadelphia IRRA has held three meetings this year so far; one addressed by George A. Taylor on the topic of Development of Maturity in Labor Relations; one addressed by Dr. Garold Gordon, Chief of Psychiatry, E. I. DuPont Co. on the topic Psychiatry in Industry; and one addressed jointly by Lewis M. Gill and J. Noble Braden on the subject The Role of Mediation in Arbitration. The fourth meeting will be held in March at which time former president Richard Lester will talk about his observations on collective bargaining in England and Sweden. A final meeting will be held in May. The topic and speaker have not yet been selected.

The officers of the chapter this year are the same as those for last year. These were indicated in my report of last year.

Report submitted by JOHN PERRY HORLACHER, *President*

## WASHINGTON, D. C. CHAPTER

The chapter's officers for the year 1956-1957 are: Joseph L. O'Brien (Air Lines Personnel Conference), President; Nathaniel Goldfinger (AFL-CIO), Vice President; Philip Booth (U. S. Department of Labor), Secretary; Don Irwin (U. S. Department of Labor), Treasurer.

Earl C. Smith, who had served as Treasurer since 1955, resigned in February 1957 to go to Turkey on a technical assistance assignment.

Chapter membership remained at about its former level of 250.

The program of chapter meetings included the following:

October—*Labor Management Relations in Britain and Scandinavia*, Richard D. Lester

November—*The Walsh-Healey Act—Dead or Alive?* Gerald D. Reilly, Attorney; Bert Seidman, AFL-CIO.

December—*Automation and Trends in Productivity*, Ewan Clague; Leon Greenberg; Kenneth Van Auken, Bureau of Labor Statistics, Department of Labor.

January—*Technical and Human Factors Affecting Economic Growth—With Special Reference to Southeast Asia*, W. S. Woytinsky.

February—*Employment Problems of the Older Worker*, Lazar Paves, U. S. Department of Labor; G. Halsey Hunt, M.D., National Institutes of Health, United States Public Health Service; Lane Kirkland, AFL-CIO.

March—*Is There a Wage-Price-Profits Spiral?* Walter Fackler, United States Chamber of Commerce; Nathaniel Goldfinger, AFL-CIO.

After the regular April meeting, the chapter's activities for the year will close with its annual Dinner Meeting in May.

Report submitted by PHILIP BOOTH, *Secretary*





I.R.R.A.

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ANNUAL PROCEEDINGS

1956

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