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INDUSTRIAL RELATIONS RESEARCH ASSOCIATION
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INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

PROCEEDINGS OF THE
FOURTEENTH
ANNUAL
MEETING

New York City
December 28-29,
1961

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**NEW YORK CITY
DECEMBER 28 AND 29, 1961**

EDITED BY GERALD G. SOMERS

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PREFACE

The Association's fourteenth annual meeting was concerned with pressing current problems of unemployment, work rules and union government, as well as such traditional areas of research as the role of labor history, wage determination, managerial practices and labor force analysis. In his presidential address, Philip Taft discussed the present status of the labor movement.

The I.R.R.A. is grateful to the chairmen and participants in the various sessions for their cooperation in the prompt submission of papers for publication. We are also indebted to Benjamin Schwartz and other members of the New York Chapter for their efficient handling of local arrangements for the meeting.

GERALD G. SOMERS, *Editor*

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Part I

PRESIDENTIAL ADDRESS

REFLECTIONS ON THE PRESENT STATE OF THE LABOR MOVEMENT

PHILIP TAFT

Brown University

Instead of addressing myself to one issue, it appeared to me more desirable to go over lightly several which have recently been noted by students and general observers. The topics will be treated in the following order :

The crisis in the labor movement
Democracy in trade unions
Ethical practices
An enlightened wage policy
Responsible leadership

THE CRISIS IN THE LABOR MOVEMENT

The existence of a crisis in the labor movement is mainly the intellectual creation of the old left winger who misses the drama and excitement which a movement struggling for survival or new territory gives to the participants as well as to the sympathetic observer. According to Webster's Collegiate Dictionary, a crisis is "the decisive movement or turning point, a change in the condition of a subject which indicates whether the result is to be recovery or death." A casual or detailed examination of the present labor landscape shows few if any signs that the labor organizations are suffering from severe shock or even experiencing more than normal difficulties.

It is true that the present labor movement has no stirring plans or exciting programs, but its activities compare favorably with those carried on by the labor movements of other countries of the Free World, or in other periods of its own history. What for example, are the novel and stirring plans generated recently by the unions of England and Sweden? In fact, the demands for wage guarantees and union pressure for a variety of fringe benefits in American industry possess more novelty and imagination than the plans and programs of labor organizations in other countries. Perhaps, the future belongs to the American kind rather than the old class-struggle socialist type of organizations. Some English unions have adopted the tactics of American labor and have embarked upon a policy of demanding

more and more, to the dismay of critical intellectual observers who see in the constant demand for higher wages a danger of the unions becoming Americanized and losing their souls, and I might add their slogans.

Those who regularly attack American unions for their failures to innovate frequently have in mind their refusal to become heavily committed in certain kinds of politics and social reform. The belief and perhaps hope that the extension of unionism would lead to greater direct political involvement by American labor has not worked out and, by and large, the present day labor movement shows the same general kind of attitude towards problems as its predecessor.

ORGANIZATION ACTIVITY

Another test of the crisis is to compare the organizational activity of contemporary organizations with their predecessors in the past. On the basis of such a comparison the present unions earn a high mark. In the present century there have been only two periods, excepting war years, in which the trade union movement made appreciable gains. If I may push the present century back 3 years, the period between 1897 and 1904, and the 1930's were the only ones in our history in which the trade unions registered substantial over-all gains. Of course, membership fluctuated somewhat, and progress in some years was offset by losses in others, but there were no substantial over-all gains except in these two periods. It appears to be a fact that once the membership of the labor movement becomes stabilized the gains and losses tend to be small and are likely to be the result of changes in the position of specific industries or their work force. In presenting this view, I am assuming that the effects of war do not end simultaneously with the cessation of hostilities, but continue over time. A large part of the increases in membership during World War I was not retained, but the great postwar strikes and the anti-union American plan must be regarded as events which were greatly influenced if not determined by war. The same observations can be made for the events in the later 1940's, and first years of the next decade.

If these facts are taken into account, the conclusion seems inevitable that the present-day labor movement has shown great resiliency and stability. Despite fluctuations in business, significant shifts in employment and exposure by government investigating committees,

the great unions, while in some instances seriously affected, have not lost their predominant positions in the major industries in which they operate. At the same time, the general labor movement has been able to repel right-to-work proposals in the industrial states in which it was submitted to a plebiscite of the voters, which should be regarded as a much more important sign of the public's view of labor unionism than opinion polls. Unless there is a basic and at present unforeseen change in public attitudes, it would appear that the legal position of the labor movement will not be seriously impaired. Such a view does not mean that the labor movement will not face continual attempts to curb its activities or restrict its power. But there is no time in history in which the labor movement did not encounter opposition. It always faces the danger that excesses at the bargaining table or in internal administration will lead to successful campaigns to dilute its strength.

DETERIORATION OF ETHICAL STANDARDS

Some critics have claimed that the crisis in the labor movement is not related to its ability to retain its recruits, but is the result of the deterioration of ethical standards and the debasement of aims. The latter view deplores the growing materialism of the unions, and regards their quest for continual improvements as a symptom of the crisis they deplore. It might first be noted that the vast majority of union members would gladly exchange their life of indulgence for the austerity of the philosophers, writers and scholars who decry the high living of the miner and factory worker. But these critics are really aiming their verbal artillery at another target, business unionism. The critics of business unionism are never clear about the kinds of unions that are desirable. Many believed that the organization established in the 1930's were the answer to their longing, but alas virtually all of them went the way of all other unions.

BUSINESS UNIONISM

What is a business union? I would define it as a labor organization which is effective in dealing with the problems of the job. The question is really whether unions should reflect the wishes of the members who join to obtain protection and advantages in employment, or design their policies to carry out the aspirations and expectations of their critics. At this point, I may add that by and large

the unions that have been built since the 1930's are engaged in business unionism to the same extent as their predecessors. The negotiation of the terms of employment in the steel and automobile industry deals with essentially the same kinds of problems as negotiations in the building trades. Of course problems are more difficult and involved in the mass production industries, and their solution requires more imagination and perhaps daring. Nevertheless, the insistence on a raise of wages for steel and automobile workers is not ethically different from demands for an increase for bricklayers and carpenters. It is in fact neither more noble nor selfish in one case than in the other. Of course, one might point to the innovations in bargaining introduced in the mass production industries, but if the test used is adaptation to the particular industrial environment, the craftsman has nothing to be ashamed of. The pre-1930 unions pioneered in the reduction of hours, and were the first to establish in many of their markets the five-day week. Let me add, however, that the older unions do not claim that their activities and gains are the result of their superior virtues. They would perhaps be the first to deny such an allegation, and would agree that they operate in a more favorable economic environment than many other groups and can consequently negotiate more favorable arrangements.

ADAPTATION TO CHANGE

Unions have, of course, adapted themselves to change. The organizations of labor today espouse policies and causes, in many respects, quite different from the ones they sponsored one, two, or more generations ago. However, unions have always shown concern for problems and issues not related to their own employments but these activities must by their very nature be of secondary importance. They have over the years supported a large amount of labor and social legislation, and the corpus of laws written into state codes and constitutions is due largely to the efforts of organized workers. The actual record of the labor movement, if it is examined on the state levels, where such efforts were at one time of predominant importance and are still very significant will be found to be a very good one.

COLLECTIVE BARGAINING

When one turns to specific issues of collective bargaining, the notion of a crisis appears to be even more vague and ethereal. Hun-

dreds of thousands of agreements are being annually negotiated, some containing substantial concessions, others modest gains and a third very little. But what strikes the observer is the variety of collective bargaining arrangements. The ability of the parties to settle new problems and the ingenuity exhibited in meeting them are signs of vigor rather than decadence. There are, of course, many issues, unemployment and underemployment for example, which cannot be solved by this method, but even in this area, collective bargaining has made a contribution—modest to be sure—to the handling of technological displacement of labor, the employment of older workers, pensions and retirement.

Collective bargaining is not a miracle method for the sudden curing of all ills and inequities which plague the economy and society. It is a method of slow and often painful adjustment, and the vast majority of unions appear to be aware of the function of collective bargaining as well as of its limitations. The behavior of the unions is, as in the past, in accordance with the particular problems confronting the memberships and industry in which each organization operates, and there appears to be neither great fear nor unattainable expectations. Perhaps this is the heart of the criticism; that the unions of the United States are behaving in a manner characteristic of advanced middle age rather than like those in search of youthful adventure. This may be true, but trade unions are not revolutionary organizations; they have never set their sights upon a redirection of social goals or the reorganization of the economy, and it is doubtful if they could successfully change their objectives.

UNION DEMOCRACY

Democracy in unions has been a favorite topic of critics, and in this area the ordinary rules of evidence are often discarded in favor of more occult methods. Sometimes, democracy is discussed in terms of the rights of members to govern their own affairs and to make arrangements with the employer. At other times, attendance at union meetings is the issue. There is occasionally an oblique inference that only control by a dictatorial leadership prevents the members from adopting policies more in consonance with the critic's views. There have been many charges but not much proof. Of course some unions are guilty of oppression and of ignoring the rights of individuals. But these are by no means typical. In the over 80,000

administrative units, the number of cases that come to public attention are relatively few, and in many instances redress against injustice can be obtained through the variety of tribunals erected by the organizations themselves.

For example, the only finding of fraud in a national election by a court in the present generation took place in the Electric Trades Union, of England, of all places. Few cases of fraud have been presented since the enactment of the Landrum-Griffin Act. One might assume that additional instances have been unreported. I have no evidence that such is the case, but it would be a miracle indeed if in approximately 80,000 national and local union elections there was complete absence of hanky panky. But no one has demonstrated that fraud was ever widely practiced in union elections. It is interesting to note recently that when a certain union officer whose standing in journalistic and government circles is not of the highest was overwhelmingly elected, the critics immediately charged it was done by a machine. What of it? There are rumors that machines are not absent from the political life of cities, states and that they even control the national conventions of the major and minor parties.

STANDARDS IN UNION ELECTIONS

The fact is that the standards set up for union elections under the Landrum-Griffin law are more severe than those imposed upon any other group in the community. No state government imposes as severe restraints upon candidates for public office as the Landrum-Griffin law does upon aspirants for elective posts in unions. Nor can elections for public office be set aside upon many of the grounds which impair a union contest and allow the Secretary of Labor to set aside the result. I call your attention to charges and counter-charges of illicit and irregular voting in 13 states involving thousands of precincts and millions of votes in the Presidential election of 1960. If candidates for public office were required to maintain the level of fair statement imposed upon union officers in an election, there probably would never have been a valid result in the history of the Republic. The enactment itself was the result of a peculiar combination—the doctrinaire liberals and the reactionary conservatives, a combination not unknown in other sections of the world; one hoped to cripple the labor movement, the other to purify it.

ROLE OF MEMBERS

There is an implicit belief that the rank and file are wise, fair and democratic but their better natures and intentions are being repressed by a reactionary cabal centering around the leaders. This is a consoling but scarcely accurate picture of the situation within American labor. Undoubtedly, unions should be responsive to the desires of their members. Having said that we are likely to run into difficulties of definition. Should unions hold a plebiscite to determine each issue or should members be given a periodical opportunity to review performance, and retain and dismiss their officers in accordance with their views on how efficient they have carried out their stewardship? As unions grow in size, the direct determination by members of many issues may not be feasible or yield desirable results in terms of the interests of the union or its members. This problem is not limited to the United States, and this issue has been discussed by students of labor in other countries. As a matter of fact, there is much less direct consultation of the membership on vital issues in some European countries than in the United States. As in public life, the growth of population has forced the abandonment of the town meeting in many areas so union democracy may be compelled to express itself through some representative assembly, with the membership having the opportunity to refuse to elect those whose decisions do not conform to the will of the majority of constituents. It may not be easy or even possible to get a direct membership vote on complicated issues of union government or collective bargaining decisions. Such a procedure does not necessarily mean the diminution of democracy.

RACIAL DISCRIMINATION

In discussing union democracy, there is a tendency to attribute to it virtues which it lacks and to charge union leaders and bureaucracies with derelictions of which they are innocent. Such confusion springs from a belief in the high-mindedness of the rank and file and rascality and backwardness of the leaders. The least one can say about such a picture is it is greatly overdrawn. For example, the evil of racial discrimination. Certainly, to reject workers from membership on the basis of race is unconscionable, but I think it can be easily established that in removing racial barriers the membership in many unions have been far behind their leaders. I do not wish to

allocate superior virtue to the leaders; they are after all generally drawn from the ranks, although several progressive unions have deviated from this rule and are recruiting them from the outside. But they are more conversant with changing public policy; they are more alert to the effect that discrimination may have upon the ultimate position of the organization, and they may even be convinced that race is not a desirable criterion upon which to deny membership. It is the members and not their leaders who have been most insistent upon the retention of racial barriers. As far back as the middle 1920's, the then leaders of the International Brotherhood of Electrical Workers pleaded with the delegates to their convention to remove racial clauses from the constitution, but the plea fell on deaf ears and was rejected for years afterwards. You can find similar situations in other unions, and it appears more than a slight exaggeration to believe that the members are automatically paragons of virtue and justice and that evils will be expeditiously remedied if power is centered in the rank and file.

ATTENDANCE AT UNION MEETINGS

Another attack upon the unions has come from critics who have deplored the sparse attendance at union meetings, and have used this as evidence of the lack of interest of union members in their organizations. One might ask if low attendance is peculiar to labor organizations in the United States, or typical of organizations in other parts of the world as well. A glance at the record of other countries shows that union business meetings are also not filled to overcapacity. Is it something new or was it the experience in other generations? There is little evidence on the latter point, except of an indirect kind. For example, the pleas for better attendance that has appeared regularly in the labor press and the fines that were imposed for non-attendance would indicate that even in the golden age of yore, when there were fewer distractions and when population was more concentrated, attendance at union meetings was usually not great. Such a result need not surprise us. A union meeting is usually a dull affair. Aside from a few requests for donations for good and indifferent causes and routine reports, a union does not normally have much important business. Local union meetings are not exciting affairs, and they are weak competition for Gunsmoke or Perry Mason. The members' behavior in this matter reveals no moral dereliction, dis-

torted values or disloyalty to the union. A member of a labor organization does not as a general rule look to the union for educational service, general enlightenment or political direction. The notion that the union should be the center of the member's life has never been accepted by the great majority of American unionists. It may be possible for the union to perform a host of subsidiary functions if there is homogeneity in racial composition or in some other respect. But an American union is not a training ground for an intellectual or revolutionary elite.

Low attendance at meetings may be a cause of concern on other grounds. It may allow minorities to gain a disproportionate influence over policy, and even to subvert the purposes of the union. One need not insist that low attendance is not a serious problem, but it has nothing to do with democracy. A democratic union allows its members a chance to vote directly or indirectly through delegates at a convention for officers and policies. It need not compel members to do so. One should always bear in mind that only 60 per cent or fewer of the eligible voters have cast ballots in national elections, and a much smaller percentage in state and local elections.

Nor does low attendance indicate lack of loyalty or interest in the union. Workers in many industries have means to rid themselves of their organizations. Moreover, they can show their real intention when they are called on strike which obviously involves loss of income. But the evidence shows the union is generally supported by the membership in conflicts with the employer. One need not deny that among those on strike there are always some unwilling participants who because of various kinds of pressure and even threats of violence or ostracism prefer to go along. Nevertheless, the union in the great majority of cases could not survive a contest with the employer without the support of its members.

CODES OF ETHICAL PRACTICE

In discussing democracy, one ought to note the codes of ethical practices which all of us greeted as the dawn of a new day for labor. In common with everyone else I heartily endorse the codes, but one might take notice of their effectiveness. Let me observe that even before the promulgation of the codes of ethical practices, the Ten Commandments contained an injunction "Thou Shalt Not Steal." Laws and customs against collusion, embezzlement, extortion and conflict of interest go back for more than a few decades. No one

can, of course, object to the restatement of high principles. The only question one can raise is their utility in terms of the labor movement's ability to enforce them. Skepticism is prompted not by the character but by the ability of the labor movement to enforce the noble resolves. One might also add that if labor racketeering were so feeble that it could be blown down by the issuance of a set of unenforceable ethical dicta, it would not have been a serious problem in the first place. It would appear that the Executive Council, for all of its prestige, has less influence on behavior, even the behavior of labor unions and their officers, than the clergy and government. There is some evidence that the ethical practices codes have receded into a sort of labor subconscious, and have become part of the formal and a not particularly important ritual of the labor movement.

RACKETEERING

The unimportance of the codes need not surprise us. Labor racketeering is endemic to certain kinds of industrial environments. Periodic exposure and repression have not successfully erased collusion and other types of shady practices in certain sections of the economy. However, the ethical condition or health of the labor movement is, in my opinion, quite high, and it may even be comparatively better than it had been in earlier generations. This appears to be true even though the statistical evidence is lacking. The growth of unionism in oligopolistic industries since the 1930's, industries in which racketeering can play no permanent economic role and is therefore largely absent, inevitably means that the ratio of racketeering to membership and union officers has declined.

As noted above it is difficult to obtain empirical evidence. Yet it is interesting to observe that the recent exposures of labor derelictions were confined to industries which previous investigations and studies had shown to be a fertile soil for collusive arrangements and other kinds of malpractice. The industries in which racketeering has been shown to exist have the same economic characteristics as the industries in which racketeering was shown to be present by the Industrial Relations Commission at the turn of the century, and the Lockwood and Daly commissions after World War I.

WAGE POLICY

One of the more persistent demands made upon labor by friendly and unfriendly critics is that it formulates a responsible wage policy.

Usually muted during a recession, the demand is again heard in the land. Many economists accompany their demand for wage responsibility by a proposal by which their worthy objectives can be carried out—that the rate of the annual rise in money wages for all workers should tend to equal the rate of annual increases in productivity for the entire economy. The proposal is based on an assumption that in any one year wages are in equilibrium in the sense that the wages of no group of workers is lagging behind the general average. Economists who offer this proposal are convinced that adherence to their formula will not only attain price stability, but also justice equity and optimum allocation of labor.

It is not my purpose to challenge the advice of my more learned and skilled colleagues, but only to raise one or two minor questions. Wages perform several functions in the economy; they are a payment for labor service and a device for the allocation of labor among industries. The annual rate of increase of productivity is an aggregate figure expressing an average increase. Within the average, wide ranges may exist, and productivity may in fact be declining in some segments of the economy while rising rapidly at the same time in others. The demand for labor by some firms may be expanding at the same time demand by others is contracting. Moreover, the profitability of different firms may vary from year to year, and their ability to make concessions at a particular time would consequently not be equal.

It follows that limiting wage increases that could be made by expanding firms would reduce or destroy their ability to recruit new and needed workers as they could not pay a differential adequate to attract labor in their markets. Firms facing serious competitive problems in their product and service markets would also, under the suggested principle, be required to offer a wage increment equal to what might be called an annual improvement factor of the economy and not the particular firm. Not only would such a policy be unfair to management and to labor, but it would require wage administration by government. The whole idea is based on a statistical mirage, and like many others which sound attractive at the first sight or sound, fails to take account of the difference in the position of firms and workers, and would in fact introduce many more problems than it would solve. The least it would do would be to introduce a bureaucratic wasteland in wage administration which even the most successful navigator would find difficult to penetrate.

RESPONSIBLE LEADERSHIP

A variety of persons have called for responsible labor leadership. It is a popular topic, and in general it is not difficult to state the nature of responsible leadership. If, however, one is to avoid the trivial and cliché, he has to recognize that responsible and irresponsible leadership are visible only in concrete situations. It is easy to castigate specific conduct as irresponsible such as violation of trust, leading the union upon unattainable goals, wasting its substance in quixotic ventures, and failure to take account of its strength and weaknesses, or the industrial environment and problems of the firms which employ members of the organization. There are a host of other actions which could be placed in the irresponsible category. The difficulty of defining responsible leadership in precise terms arises from the nature of the office. A leader has to concern himself with the long- and short-run interests of his members, and this aim can only be achieved by considering the effect of wage bargains and terms of employment upon the competitive position of a particular firm, and its willingness to remain in its existing locale.

The question of the range of activities in which union leadership should be exercised is not easily answered. Nor are the problems the same in one period as in another. What must always be borne in mind is that the leader of labor is elected and paid to represent a given group of workers, who may be interested in their own advancement. He is not raised to office to be a statesman, industrial or social, or even a price economist. There is no reason why a leader of labor cannot pursue his own interests in causes and movements, those which are directly or indirectly of importance to his members, to labor in general, and to the country at large. But his ability as a labor leader rests upon the quality of the service he renders to his own members. Gompers, John L. Lewis and Philip Murray and others in the United States have met this test, and men such as Ernest Bevin, Walter Citrine and a host of others in England. The desire to be active or inactive in politics or to believe and espouse doctrines and programs of a more general kind need not affect the quality of a leader's service. There have been many loyal, devoted and able leaders of labor who believed in socialism, but their behavior in their unions was not much different from that of leaders who believed in anarchism or capitalism. As a negative test, I would deny that a labor leader's primary interest should be devoted to deter-

mining the effect his bargains may have on price levels and a variety of other conditions emphasized by economists. These may be important, but a union official is not by virtue of his office an *ex officio* member of the President's Council of Economic Advisors.

FUTURE OF UNIONISM

May I finally present a few observations on the future of unionism in the United States. I, of course, recognize that it is much easier to describe the past than to foretell the future. Recognizing the great uncertainties which face us at many levels, it appears to me that the future of unionism in the United States is secure. While in many respects the labor movement expresses the views of the majority of workers, it has never in the United States rallied the majority of wage earners to its banner, and a safe forecast is that it will not in the immediate future. But it will remain the largest organized group in the community for a long time to come. While there may not be any organization drives on a grand scale, there is no reason to assume that some unions will not, as in the past, gain substantial increases in members. Yet, the immediate and perhaps distant outlook is not for any drastic changes, either up or down. There are long periods in labor history when the labor movement remained stable, not increasing its numbers or suffering severe losses. The propensity of workers to join unions changes over time and responds to changing expectations. There is no reason to assume that the unions will not be able to recruit new members, but they have not devised an effective appeal to the growing mass of white collar workers, but this may wait for a John L. Lewis.

In closing I may say that with all its faults, and it has many, the American labor movement is the most effective and therefore the best in the world. It has done more for its people; it has understood its social and economic environments; and it has a better record, yes and I include the craft unions, in supporting good causes, the oppressed abroad and the exploited at home. It is a movement of workers, officered largely by men and women risen from the ranks. It is not necessarily wiser than other segments of our society, nor are its prescriptions for change always just, equitable or desirable. Yet, it is a vigorous movement directing its major efforts towards protecting rights on the job. It is needed if democracy is to continue and prosper.

Part II

PROBLEMS OF PERSISTENT UNEMPLOYMENT

UNEMPLOYMENT STATISTICS FOR FISCAL AND MONETARY POLICY

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DO WE HAVE A NEW UNEMPLOYMENT LEVEL?

It is not often that we find the lion lying down with the lamb. Yet both the NAM and the CIO agree that the level of unemployment has crept ominously upward during the periods of prosperity since the war. Now when *they* agree together where is the man so rash, so intemperate as to disagree? I would not wish to suggest that this circle of agreement on what the NAM has termed "a long term failure of growth" includes all professional economists—or even both present and past chairmen of the Council of Economic Advisers. But a wide measure of concern does exist. And much of it has been phrased in these terms.

In approaching this topic we might best begin with a statistic: It has been 20 years since the annual unemployment rate ran as high as 8% of the labor force. This is not only a mighty long period *per se*. According to the best estimates I have been able to make, unemployment has not run below 8% for so long a period at any time since 1860. Surely this sounds a note of mild optimism. Why, then, the rising concern? The major reason must be that our standards of tolerable unemployment levels have changed. When tuberculosis is a major killer only limited attention is given to polio. When influenza and pneumonia were killing over 100 persons for every 35 that motor cars did, the latter hardly claimed the degree of interest they now do as a cause of death.

When our immediate background of experience was 15 to 25% of the labor force without work, even a 10% rate looked pretty good. But with unemployment running below 8% for the last 20 years the rise from 3% in 1951–52 to over 5% in 1959 becomes much more visible. With national income having risen as much as it has since the war it seems to me wholly proper that we should become concerned with what historically speaking is only a mild rise in unemployment.

In trying to evaluate the economic meaning of the rise, however, we are unwise to look at prosperity unemployment rates by them-

selves. We must relate them to rates during the preceding recessions. Now it is surely no very daring hypothesis to assume that the 1954, 1958 and 1961 recessions were really abortive major depressions—and would have been so under pre-1941 levels of government intervention. The role of government in shaping final demand since 1941, particularly in affecting business expectations, converted these would-be major depressions into mild recessions. But these recessions were not blunted so elegantly that the residual instabilities gave us precisely the same level of unemployment in each of the three post-recession periods.

However, if we compare the levels against those in the preceding recession we find that the differences among 1947–48, 1956 and 1959 levels are not clearly significant. (I exclude 1951–52 as irrelevant, being inordinately low as a result of the “short, sharp shock” of Korean War.) Hence the assertion that “the more serious cause for concern is the gradual rise in the level of unemployment in the periods between the recessions”¹ seems to me wide of the mark. It is not that any long term rise is clearly taking place. It is simply that we now wish to aim for lower levels of unemployment. The most potent way to do so, of course, is to keep future downturns in activity from becoming sizeable. Next in importance is to keep unemployment during generally good times down to a desirable minimum. Hence we turn to the hard question: what should our goal for unemployment be?

A VACANCY-UNEMPLOYMENT RATIO?

In its recent report the Commission on Money and Credit proposed as a target for fiscal and monetary policy somewhere near a 1 to 1 ratio of unfilled job vacancies to unemployment.² And other leading economists have suggested that this measure deserves a second look. There is an attractive simplicity to it, of course. More applicants than vacancies—and you have a weak labor market. More vacancies than applicants—and you have a tight labor market. When one matches the other precisely, the market is in equilibrium—

¹ National Association of Manufacturers, *Unemployment, Causes and Cures* (1961) p. 2. Cf. *Dissent*, A Quarterly of Socialist Opinion (Autumn 1960) p. 346 for a strikingly similar finding: “More disturbing still . . . is the trend in unemployment over the postwar period. During the latest business expansion . . . the unemployment rate was greater than at a comparable point in either of the two previous postwar cycles.”

² Commission on Money & Credit, *Money & Credit* (1961) p. 28.

and all's right with the world. Now there are three main objections to this proposal.

1. First: by adding this new measure we in no way change the decision variables that concern the fiscal and monetary authorities. Suppose, for example, that unemployment rose from 3 to 10 millions. A major issue immediately confronts the authorities—whether the reported vacancy total is 10 million, 20 million or indeed any number whatever. Suppose on the other hand unemployment falls from 10 to 3 million. Can we imagine the Chairman of the Council of Economic Advisers and the Federal Reserve Board calling an urgent conference on the unemployment situation because employers reported only 1 million vacancies and therefore the vacancy-unemployment ratio was giving off ominous sounds? In the end it is the unemployment rate that will decide the political-economic seriousness of the situation regardless of what the vacancy ratio says. If the latter confirms the unemployment rate it will be a work of supererogation. If it conflicts with what the unemployment rate tells us it will be cast aside.

2. Objection number 2 is that we really have no basis for declaring that a prosperous economy should have a vacancy-unemployment ratio of 1 to 1. The problem is not that some employers would report only those positions that had to be filled by next Friday while others included positions open for "the right man" if he happened to come along. It is much deeper. Whatever the level of employer response we know that the level of the new series would have to establish itself. Only after some years of experience would we know that the ratio was 1 to x when our intuition plus data on prices, output and orders told us that the economy was on an even keel; that it was 1 to y when trouble was beginning, and so on. But instead of waiting years to acquire such reference benchmarks why not use the unemployment rates that we already have for the past 300 odd months?

3. Objection number 3 is simply that one vacancy doesn't cancel out one application. A vacancy in California does not cancel out an unemployed worker in West Virginia. Nor does the report of 1 unemployed miner cancel the vacancy for one exotic dancer. Yes, area detail is possible, but the imagination boggles at the thought of the Open Market Committee confronted every Wednesday with several thousand vacancy-unemployment ratios, one for each labor market and each related group of occupations. Short of this statistician's

paradise, what reliability could there be in a simple netting of all vacancies and all unemployed?

AN UNEMPLOYMENT TARGET: A FRICTIONAL MINIMUM

An older guide than this ratio is the use of a frictional minimum of unemployment for signalling that joyous split second when the monetary and fiscal authorities heave a sigh of relief about the unemployment situation before they begin to fret about inflation. Now I think it worth emphasizing that a capitalist economy requires no frictional unemployment to function efficiently. Far from needing an industrial reserve army of unemployed, a capital-using, market-oriented economy could operate with zero unemployed.

Yes, industries grow and decline. Areas shift in importance. Men migrate from place to place. But the labor market adjustments to accommodate these shifts need not function via unemployment. During 1955, for example, workers made 11½ million shifts from one job to another,³ and perhaps 2½ million persons entered and left the labor force—all without becoming unemployed in the process.⁴ Surely these 14 million changes provided more flexibility in reallocating resources than did the average of 2.6 million unemployed in that same year.

The long term rise in the proportion of women in the labor force works in the same direction. In 1840 about 8% of all white women aged 14 and older were in the labor force; in 1890 about 12% were; today more than a third are; and the BLS assumes 38% for 1975.⁵ Typically women do not become unemployed when their jobs end; instead they leave the labor force. During the 1948–49 recession, for example, some 50% of the men who lost their jobs became unemployed—but less than 20% of the women did.⁶ Hence an ever rising proportion of women in the labor force tends to mean still further possibilities for resource allocation without unemployment.

³ Census Bureau, Current Population Reports, Series P-50. No. 70, *Job Mobility of Workers in 1955*. Table E.

⁴ Gross change data for 1952 (Series P-50 No. 25, Tables 18 and 19) show about 5.4 million entrances and exits to employment from the group not in the labor force. We take half that number as reflecting true shifts and not response variation.

⁵ 1840–1890: Estimates to appear in the writer's *Manpower and Economic Growth*. 1960, 1975: BLS, *Population and Labor Force Projections for the United States, 1960 to 1975*. p. 54.

⁶ Census Bureau, *Annual Report on the Labor Force*, 1949, Table 20. Unfortunately such gross change data have not been released for later recessions.

AN UNEMPLOYMENT TARGET: A POLITICAL-SOCIAL MINIMUM

Having argued that a capitalist economy doesn't require that a single person be unemployed for its efficient operation, let me go on to suggest that a democratic social order does. The reason? Simply that a basic democratic goal is freedom of choice. We do not require employees to take a given job nor to stay on it. We do not insist that they obtain permission before quitting work. Whoever heard of statistics on "quits—with cause"? Given our system of unemployment compensation, given our lack of a lumpen proletariat, these workers are not forced to take the first job available—regardless of pay or amenities. The resultant higher quit rates during prosperity years are known to every plant manager. Similarly the employer is generally free to fire workers, however widespread the extent of union organization. In the prosperity years of the 1950's the contributions to disemployment came about equally from quits and from discharges.

The monetary and fiscal authorities must, of course, accept this basic characteristic of our social order. Hence, one of their goals will be to keep unemployment down to a reasonable minimum. I suggest such a goal for them will have two elements:

1. Wipe out cyclical unemployment—which I define operationally as cutting to 3.5% of the labor force the number of those unemployed less than 15 weeks.
2. Reduce long term unemployment—consisting of men and women unemployed for more than 15 weeks—down toward 0.5% of the labor force.

These percentages are each computed as an average of those prevailing in 1948 and in 1956.⁷ (A more careful estimate would of course incorporate experience for other years, but it would probably give much the same result.) By referring to two fairly recent years when production was burgeoning, prices kept tolerably stable, and soaring government demand was *not* dominating the economy, I attempted to derive goals that our experience shows are wholly practicable. We achieved such a goal in these recent years: we should be able to do at *least* as well in the years ahead.

In fact the cyclical minimum is probably too high. Surely the gaudy prospects of the future include a better employment service,

⁷ Adjusted for the change in concept.

a crew of more astute guidance teachers in our high schools plus more generous OASI benefits—all of which would cut misdirection in the labor market and therefore short term unemployment.

On the other hand to gain the long-term minimum may be rather more difficult. The many proposals to loosen up on depreciation allowances or give direct incentives for new investment would lead to the ever swifter replacement of men by machines. But significant numbers of the men displaced in the process will be high seniority, high skill, high paid. In addition to everything else such men will be older, more likely to own their homes. Every one of these characteristics means that they will be far less likely to shift to other work without going through an extended period of unemployment during which they keep searching for a job of equal pay, skill and amenities.

At this point the problem begins to slip out of the province of the monetary and fiscal authorities and into that of the labor departments, the employment services, the depressed area agencies. If cyclical unemployment has been brought down to the 3.5% suggested, and longer term unemployment down near 0.5%, the financial authorities have about reached the limits of their competence. For monetary policy is an unlikely means to wipe out unemployment in a given industry or area. Suppose the FED jiggers rediscount rates in the district including Fayette County, West Virginia, or Detroit, Michigan. Would we expect this to affect final demand for coal versus oil, or cars versus houses? Would we expect it to make a real difference to the investor who had to choose between investing in a moribund coal town and a booming missile center? A marginal easing of credit is more likely to provide a trivial windfall to local investors than to strike at unemployment.

Fiscal policy is no more hopeful a weapon. Suppose a fanatic with a fiscal flair who proposed that the government pump 20 billion dollars into the economy to improve buying power in general—and thereby syphon unemployment out of these areas? Can you imagine even the most confident user of fiscal policy aiming so high? Yet 20 billion dollars is precisely the amount by which Federal spending jumped in the year after Korea—a rise that removed few labor market areas from the labor surplus category.

Hence we conclude that once the longer term rate gets down toward 0.5%, further cuts must come from a more efficient labor market. For this we must count on the Employment Service, special

training programs, and removal assistance—plus more imaginative redevelopment programs than those developed hitherto.

Before leaving this subject you may wonder about a fairly striking omission. Is this Hamlet without the Dane? How can anyone discuss an unemployment goal without taking up the rough political problem of the level at which low unemployment begins to blow up an inflationary gale? John Dunlop has estimated that we require at least a 10% level of unemployment if prices are not to rise significantly—and suggested that it was because this figure was so high that Slichter reluctantly urged putting up with mild inflation.⁸ Samuelson and Solow in one study,⁹ and Charles Schultze in another,¹⁰ have given the most serious and acute study to the role that unemployment plays in determining wages and prices. But if one goes back to the Phillips diagram that stimulated so much later thinking, I believe that one is struck by the crudeness of the empirical unemployment-price relationship it shows.¹¹ I would be willing to throw out some of the American analyses because of the data but this hardly applies to the excellent English studies. The solution requires a broader theoretical model, one that picks out the labor market forces that *are* determinative in fixing wages—forces for which unemployment is only a crude, troublesome surrogate. But even when these forces have been sorted out analytically, we have no reason to expect the results will give the monetary and fiscal authorities much that they can use directly in setting an unemployment goal. For actual administration they need a criterion that is fairly clear cut, that can be understood by the members of legislative bodies whose support they require. Their criterion, I suggest, will be our unemployment experience in selected years.

II. DATA NEEDS

WHEN TO ACT?

We now turn to some of the tough problems that lie in wait for the authorities when they try to assess where this economy of ours now is and where it is headed.

⁸ U. S. Senate, Special Committee on Unemployment, *Studies*, p. 9.

cf. Sumner Slichter, *Potentials of the American Economy* (1961), p. 291.

⁹ Paul Samuelson and Robert Solow, "Analytical Aspects of Anti-Inflation Policy" *American Economic Review, Papers and Proceedings* (May 1960).

¹⁰ Joint Economic Committee, *Employment, Growth and Price Levels*, Study Paper No. 1, pp. 59ff.

¹¹ A more systematic demonstration of this assertion has just appeared in R. J. Bhatia's "Unemployment and the Rate of Change of Money Earnings," *Economica* (August 1961).

On October 1, 1953 the Council of Economic Advisers and the Federal Reserve Board had before them the Current Population Survey report on the unemployment change from August to September 1953. That report showed the seasonally adjusted figures rising—but just barely rising. But where was the economy on October 1 rather than a month earlier? In February-March 1960 a similar problem arose: unemployment had ceased tapering down—or had it?

A reasonably prudent authority will therefore wait for at least another month's figure to confirm or deny the pattern of change. Hence four months after a possibly significant break in the economic tide, the government gets a figure confirming the net effect of any policy action it has taken.

Until now the way out of this impasse has been to rely on the weekly unemployment compensation data plus a hodge-podge of car-loadings, steel output, and auto production data. These will not measure as comprehensively (nor as precisely) as the monthly Current Population Survey figures. Nor are they closely comparable with them. The claims data, as we know, are bent and shaped by administrative factors. After all the system was not set up to grind out statistics: state regulations can vary on when a worker qualifies, when claims may be filed, when they are recorded. Workers may delay filing initial claims for their own reasons—and significant numbers do. Others exhaust their benefits and fall from the statistician's view just at the time when there is most urgency in the numbers. When Congress extends the benefit periods it complicates the numbers further. A dull history of attempts to adjust the claims data for greater interstate comparability, and the depressing difference in trend between continued claims and unemployment from the first to the third quarter of this year completes the catalog. Yet with all their limitations the claims data make a far better showing at measuring unemployment than does the combination of steel, auto, and paperboard output at measuring changes in employment.

Is there a Mount Palomar telescope for the economist in this fix? I believe there is. It requires only a technical change in the conduct of the Current Population Survey, at modest additional cost, to give us weekly figures on employment, unemployment, and labor force as well as a monthly report. That survey now interviews 35,000 families in one week each month. I propose that instead it interview subsamples of that total every week. Such a change would, of course,

improve even the monthly figure: an average for activity in every week of the month indicates November activity better than does our present measure of activity in one week. And should the survey week include a holiday—it usually gets November 11th—we now tend to get an unreal decline, and a consequent unreal upturn.

But brush aside these advantages. A strong sufficient reason still exists—the change would give us over-all employment, unemployment, and labor force measures four times a month rather than once. In every week we could turn to as recent an indicator of the unemployment situation as we now have only one week of every month.

The chief objection that I have heard to this proposal has not been one of the technical survey problems. (These, I think, can be managed if we only keep clearly in mind that the policy maker does *not* require weekly the kind of abundant detail and precision that he now gets monthly.¹³) The major objection some analysts offer is that the random component during short periods of economic change is much greater than the cyclical component and hence the inferences that could be drawn from a measure with higher sampling error are not likely to be useful. Perhaps the best way of evaluating this objection is to consider the survey as an economic thermometer. Would a physician prefer a report on his patient's temperature taken once a day at high noon by a Nobel prize winner or a nurse's report for every hour of the day? The analogy is not wholly unfair. The policy maker is now given a report that unemployment fell mildly from one week in October to one week in November. How much can he make of this single figure on change, even with its low sampling error and high information content? Suppose instead he had the eight weekly figures for this period, six of them indicating declines in unemployment. Would he not have a much solidier basis for decision, or even euphoria? Such a sharp contrast would not often maintain. But since the ever-present question is: "Has the trend slackened or accelerated?" a significant advance in information would be provided during many an anxious period. Remember that the Chairman of the Board could still pool the weekly figures into a single monthly figure such as he has now, and ignore changes in the past two weeks! His

¹³ Treat the weekly measures as indicators, *per se*, pooled to give a monthly comprehensive set of figures. The 3 added weekly enumerations could then be distributed nonrandomly to reduce costs. The bias that would arise—only for the weekly figures—from incomplete reporting for areas with small enumerating loads would be unimportant for weekly indications of change in total unemployment, employment, and labor force.

monthly average would still be better than the present sample of conditions in a single week of each month.¹³

HOW EFFECTIVE HAS POLICY BEEN?

A more frequent reliable indicator of unemployment and employment trends is essential. But to analyze the basic economic forces we require a good deal more than a chromium plated indicator. Assume that the monetary and fiscal authorities have grasped the nettle, recommended policies. Assume that these have been adopted with huzzas by Congress and the press. Will the course of events prove them right or wrong? Our present measures only tell us the net changes of employment and unemployment. By looking at the net changes, the Administration may move to lay on extra forces—but a look at the gross changes would tell them to hold their hand. Suppose that a speed-up in defense orders, or a change in the income tax exemption, significantly cut the rate at which factory workers were becoming unemployed. This change *could* be masked in our unemployment figures by an offsetting rise in unemployment: farming might have declined seasonally, or women entered the labor market to supplement family incomes cut by unemployment increases some months back. The seasonal adjustment will only dispose of part of these forces—and then only if the technicians could agree that there is a single pure method of adjustment for the current month's figures, if seasonals did not change through time, and, finally, if we possessed a unique method of adjusting for the auto model year changeover. Because women constitute so large a share of our labor force, and because an increasing number of elderly persons could return to the labor force in case of need, a significant net rise in unemployment could be reported even as factory workers were being put back to work. True, with some fast footwork one could use the BLS employment data and detail on the composition of the unemployed to get at part of this problem right now. But anyone who has seen the BLS employment figures go up while the comparable Census components went down would hardly maintain that we now can conduct a very rigorous analysis.

I suggest as a guide to the perplexed a mild extension of the Current Population Survey to give us a table for the Sources and

¹³ Moreover we ought not forget that breaking the 35,000 monthly sample into a sample of say 8,500 families each week would give us a weekly survey half as great as the monthly sample we were relying on until a few years ago.

Uses of Labor Force as we now have a table for sources and uses of corporate funds. Among those unemployed this month it would distinguish 4 groups (a) those who *last* month had factory jobs; (b) those who had been in other nonfarm work; (c) those not in the labor force; and (d) those unemployed last month as well. Of those with factory employment *this* month, it would distinguish (a) how many who *last* month had been unemployed; (b) how many not in the labor force, and (c) how many had been in other work. We could then tell more readily whether the unemployed were moving into factory jobs, other work as a result of policy actions (plus a vigorous run of good luck!). If a hard core of unemployed were being left despite an upturn, this would be promptly evidenced by the rate at which the table reported employment gains drawing from those not in the labor force.¹⁴

For testing the basic labor market situation we need one additional set of data. Labor mobility in our market economy is the way by which an improved allocation of labor resources is achieved. But we have no current data whatever on the mobility of labor. I am thinking here particularly of the long duration unemployed. At what rate do workers in declining towns move to other work? At what rate are those in declining occupations, industries, plants moving into other ones? Do we tend to assume that "too little" mobility takes place in our economy merely because we don't know how many disemployed workers do in fact move? Specifically, I suggest that for those who report unemployment of over 15 weeks in the Current Survey we should, at intervals, get reports on their subsequent mobility status. Did they move? Did they seek work in another county? Did they find work? And classify our findings at least into those under and over say age 40. (If experience proves the results to be useful, we might later incur the more substantial costs of a sample sufficient to pour forth data classified by occupation, industry, and detailed age.)

Naturally such figures could have only limited meaning unless they were matched against some standard of mobility. Most simple would be parallel measures for the employee labor force as a whole, indicating what proportion moved over the corresponding period; what

¹⁴ The proposed breaks might be feasible with the present accuracy of gross flow data. But more detail—valuable and desirable—would require improvement in the flow data.

number did not move but changed jobs; and how many did neither. In time, of course, the long duration mobility data will provide their own reference frame as we become able to compare its behavior during today's recession with the last one, during tomorrow's upturn with the prior one. Because of the zeal that demographers have lavished on this subject we are annually presented with a handsome report on *past* mobility and present employment status. For economic analysis we need just the reverse—numbers on the extent to which unemployment leads to labor mobility.

I must admit to a further motive in suggesting this continuity study of the long duration unemployed. Other surveys that ask housewives when they last bought crunchies, when they spent money on house repairs, when a family member was last in the hospital, discover that the answers telescope the true time period, or elongate it. What about *these* reports of 10, 15, 24 months of unemployment? Was the true duration shorter—or perhaps even longer? By continuing to secure reports for all families who have reported unemployment of over 15 weeks from the time they first report this in the survey (1) until the persons concerned find work, or (2) until they had been in the survey a year, we could strengthen the validity of the duration reports on this very critical group.

Further suggestions for data should be made but the subject is something like Strauss's Perpetual Motion waltz. There being no logical stopping place one simply breaks off abruptly.

PROBLEMS AND REMEDIES FOR DEPRESSED AREA UNEMPLOYMENT

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On May 1, 1961—while the leaders of the Communist world were making their annual obeisance to the October Revolution—President Kennedy signed a bill designed to strengthen American capitalism. This bill, which became the Area Redevelopment Act, was the first piece of major legislation to be rushed through the 87th Congress to his desk. It was hailed by news commentators as the first step toward the New Frontier. Much of the reporting, however, was something less than accurate. Some commentators traced awareness of the depressed area problem to the primary fight between Senators Kennedy and Humphrey in West Virginia. Actually, enactment of this bill was the culmination of a long legislative struggle which began in 1955 when the Joint Economic Committee first recommended Federal action to help chronically depressed communities.¹ And the recommendation grew in part out of the late Senator Matthew Neely's investigation into the causes of unemployment in the coal and other domestic industries conducted earlier that year.²

A number of bills to provide aid to depressed areas were introduced in both houses of Congress after 1955. Two of the bills were passed, but became the victims of presidential vetoes. Now, however, the United States has joined a number of other industrial nations in the western world in recognizing that various kinds of structural unemployment appear to be endemic in advanced industrial societies,

* The author wishes to express his appreciation for helpful comments on an earlier draft by Professors Abraham Siegel of M.I.T. and Jacob Kaufman of Pennsylvania State University, and by Mr. William Batt and Dr. E. W. Hanczaryk of the Area Redevelopment Administration. They should not be held accountable for the opinions expressed in this paper, however.

¹ For a concise history of earlier legislation see *Area Development—1961*, Report of the Committee on Banking and Currency, Senate Report No. 61, 87th Congress, 1st Session, March 8, 1961, pp. 3-4.

² Hearings before the Subcommittee to Investigate Unemployment of the Committee on Labor and Public Welfare, United States Senate, 84th Congress, 1st Session, March-April, 1955.

and that government action is required if this problem is to be mitigated.³

TOO LITTLE, BUT NEVER TOO LATE

The Area Redevelopment Act is a modest step toward the rehabilitation of the nation's depressed areas. It provided for the establishment of an Area Redevelopment Administration in the Department of Commerce, and set up two advisory groups: an Advisory Policy Board made up of government officials, and a National Public Advisory Committee on Area Redevelopment consisting of representatives of labor, management, agriculture, state and local governments, and the public. The man appointed to administer the new program is Mr. William Batt, formerly Secretary of Labor and Industry in Pennsylvania, and a knowledgeable and experienced administrator of state and local development activities.

The Administration is fully aware of the limitations under which it operates. In one of its first publications, it was pointed out that: "Even the most enthusiastic supporters of area redevelopment legislation do not expect that the new program will solve all the chronic unemployment problems of all eligible areas. They do believe, however, that Federal assistance can materially help those communities and States willing to work hard for their own economic improvement. This is a long-range program of creative area economic redevelopment—as distinguished from a short-term, anti-recession program."⁴

The provisions of the new Act will not be detailed here.⁵ Some of the highlights will be mentioned, however. The Act provides for two revolving funds, of \$100 million each, one for the support of industrial projects in non-rural redevelopment areas, and the other for support of similar projects in rural areas. A third revolving fund of \$100 million will be used to make loans for qualified public facilities, and an additional fund of \$75 million has been provided for outright

³ Not all economists agree that the problem is basically one of structural unemployment. Some would argue, in Keynesian terms, that it is a problem of inadequate total demand. See, for example, Norman B. Ture, "New Wine for Old Bottles," *Challenge*, May 1961, p. 6; and Arthur Smithies, "Balance Wheel of Progress," *idem*, June 1961, p. 19. This issue has also been debated by Dr. Walter Heller, Chairman of the Council of Economic Advisers, and Mr. William McC. Martin, Jr., Chairman of the Federal Reserve Board. For a concise statement of their views see *Business Week*, March 25, 1961, p. 52.

⁴ *Your Community and the Area Redevelopment Act*, Washington: U. S. Department of Commerce, Area Redevelopment Administration (May 9, 1961), p. 1.

⁵ They are given in *Area Redevelopment—1961*, *op. cit.*, pp. 12-34.

grants for the same purpose. The latter is not a revolving fund, and there are no provisions at present for additional appropriations when this amount has been expended.⁶ The law also authorizes annual appropriations of \$14.5 million to be used for occupational training, and retraining, and retraining subsistence payments.⁷ Finally, \$4.5 million annually has been authorized to provide technical assistance to communities engaged in redevelopment efforts under the terms of the Act. The total of \$394 million—of which only \$19 million is to be appropriated annually—is not an excessively large sum given the dimensions of the problem. But it must be emphasized that this is a program designed *to assist* local communities in their redevelopment activities, and not one which is expected to carry the full burden of solving the problem of chronic, localized unemployment.

Many students of the problem of structural unemployment will agree that the Area Redevelopment Act is long overdue, that its funds are too limited, and that the Area Redevelopment Administration has rather limited powers. But it is a significant first step toward the mitigation of one of the most intractable economic problems of our time.

WHO ARE THE UNEMPLOYED IN DEPRESSED AREAS?

The Department of Labor regularly publishes unemployment data on 150 major labor market areas. Of these, 20 areas, located in seven states and Puerto Rico, were eligible for assistance under the Area Redevelopment Act as of January 1961. An additional 83 smaller areas in 24 states were eligible for assistance at that time.

Until recently, we knew relatively little about the characteristics of the unemployed in depressed areas although certain inferences could be drawn from various studies of labor mobility in these communities. A recent publication of the Bureau of Labor Statistics largely substantiates these inferences, and provides further details

⁶ It is possible that this is due to Congressional antipathy to "backdoor" financing; additional funds for this purpose could be authorized in the future if and when the need arises.

⁷ A more ambitious retraining program, calling for total appropriations of \$655 million over a four-year period, was passed by the Senate in the first session of the 87th Congress. Discussion of this program, which would be administered jointly by the Department of Labor and the Department of Health, Education, and Welfare, would go beyond the scope of this paper. See, however, *Manpower Development and Training Act of 1961*, Senate Report No. 651, 87th Congress, 1st Session, July 31, 1961; and *Training of the Unemployed*, Hearings before the Subcommittee on Employment and Manpower of the Committee on Labor and Public Welfare, March 20-21, and June 5-7, 1961.

about the characteristics of the jobless workers in labor surplus areas.⁸

The details have been gleaned from analysis of sample data used to prepare the Monthly Report on the Labor Force (MRLF). This sample is considered to be quite adequate for preparing estimates of national unemployment. Data relating to specific localities are no doubt subject to a somewhat larger sampling error. While this may reduce the precision of estimates for local areas, generalizations based upon analysis of the local area data are no doubt entirely valid.

The MRLF data indicate that nearly one-third of total unemployment in the Spring of 1959 was accounted for by the nation's depressed areas, although these areas contained only one-fourth of the nation's population and labor force. In the depressed areas, unemployment is more concentrated among regular labor force members, factory operatives, and other industrial workers than in the nation as a whole. And these areas have a much higher incidence of long-term unemployment. Unemployment rates were especially high for adult men in the 25 to 34-year age group. On the other hand, a larger proportion of the unemployed in areas of tight or balanced labor supply were new entrants to the labor force. This supports earlier findings that the younger and more mobile workers tend to leave chronically depressed areas thus raising the average age of those who remain in the local labor force, especially the unemployed.

Chronically depressed areas accounted for over 40 per cent of the very long-term unemployed (six months or more), but they represented only five per cent of the nation's short-term unemployed. The Department of Labor study concluded that "unemployment had much more serious welfare implications in those areas than elsewhere." And "if the rate of unemployment in these areas could have been reduced to the national average, the jobless total would have been roughly a quarter of a million lower at that time (Spring, 1959)."⁹

PROBLEMS AND REMEDIES

In the brief time at my disposal I can touch on only a few of the major problems which will be encountered in efforts to reduce the

⁸ *The Structure of Unemployment in Areas of Substantial Labor Surplus*, Study Paper No. 23, U. S. Department of Labor, Bureau of Labor Statistics, materials prepared in connection with the study of Employment, Growth, and Price Levels, for consideration by the Joint Economic Committee, Congress of the United States, Washington: U. S. Government Printing Office, (January 30, 1960), *passim*.

⁹ *Ibid*, p. 3.

level of unemployment in depressed areas. One of these has already been suggested by the brief reference to the characteristics of the unemployed in these areas. Structural unemployment—whether it is found in chronically depressed areas or elsewhere—cuts across all age groups. But the young and mobile worker, particularly the one without dependents, adjusts more easily to the loss of his job than the worker who is middle-aged or older. He is considered to be more eligible for the “hiring jobs” available in companies with seniority systems. He has less of a commitment to a particular industry or occupation than his older counterpart. These factors, as much as his lack of attachment to a community due to home ownership, family ties, or other non-economic considerations, make him a more mobile worker. Many older workers would also gladly move if they were assured of employment elsewhere. But they know enough about the operation of the labor market to recognize that age is often a barrier to re-employment. As a consequence of the out-migration of the young workers, the average age of the unemployed in depressed areas is quite high. If employers are looking for young workers, as many of them are, they will tend to shy away from these areas.

At the same time, the high average age of the unemployed is one reason why the re-development of depressed areas is so important if the level of structural unemployment in the nation is to be reduced. Other things being equal, it might be difficult to induce businesses to locate plants or facilities in depressed areas given the characteristics of the local labor supply. There will have to be other inducements—suitable plant space, access to transportation facilities, and acceptable public facilities, for example—to encourage the establishment of branch plants or other businesses in these areas.

One of the purposes of the Area Redevelopment Act is to assist local groups who will invest in the necessary facilities in an effort to encourage economic expansion in the area. The Administration will also, of course, assist in the establishment of new indigenous enterprises which could absorb some of the locally unemployed provided that some of the financing for such enterprises can be arranged locally or with state assistance.

The selection of areas to be redeveloped—It seems clear that not every chronically depressed area can be redeveloped. And this could pose a serious problem for the Area Redevelopment Administration.

There will be strong political pressures on the Administration to make loans and grants to local groups in many communities which have been chronic labor surplus areas. But some selectivity will have to be exercised if the funds are not to be spread so thin that they will accomplish nothing in the long run.¹⁰ There are mining communities in West Virginia, for example, which will not be attractive to industrialists because of the terrain. The same is no doubt true of some of the coal communities of Pennsylvania, and other depressed areas where local economic activities in the past were largely resource-based. Unless these same resources can be economically exploited in some way, the outlook for the redevelopment of such communities is not bright.

Perhaps eventually, some of these communities will have to be permitted to die on the vine. And this will undoubtedly call for relocation assistance to those who will wish to move elsewhere whether employable or not. This type of assistance cannot be granted under the terms of the present Act. Relocation aid will no doubt be resisted by Congressmen, particularly if proposals are made to move some residents outside their districts. But in spite of these obstacles, selectivity will have to be exercised if those communities which are capable of redevelopment are to be given maximum assistance.

The definition of depressed areas—Areas eligible for assistance are defined by the Act.¹¹ But the Act does not specify the boundaries of these areas. There has been pressure on state unemployment security agencies to redefine the boundaries of labor market areas so that specific communities excluded could become eligible for assistance under the Act. This creates a rather serious problem. There are communities, particularly in the industrial northeast, which have a high average level of unemployment. But they are part of larger labor market areas where the average level of unemployment may not meet the criteria specified by the Act. Community leaders in some of these towns have pressed for redefinition of labor market area boundaries.

¹⁰ It should be noted that relatively few loans or grants have been made up to the present. There has not been a wild rush to obtain funds from the ARA. A substantial number of communities have filed Overall Economic Development Programs with the Administration, however, a step which is required before financial aid can be requested.

¹¹ See Public Law 87-27, 87th Congress, S. 1, May 1, 1961, p. 2.

The Bureau of Employment Security has issued an order that existing boundaries are not to be changed. Techniques for estimating unemployment in small areas yield valid results only when they apply to complete labor market areas. These areas are defined on the basis of place of work and place of residence of members of the local labor force. If parts of either the labor supply or the job base are omitted, estimates of local employment and unemployment will be biased. Thus the Labor Department's position on the use of local data appears to be justified.

The Director of ARA is not required to follow local labor market boundaries, however. And there have been a number of departures from these boundaries in certifying areas as eligible for assistance under the Act. There are probably no simple rules for determining eligibility which will apply in all cases. Judgment will have to be exercised. Many factors will have to be considered—including job opportunities within commuting distance in contiguous areas—in making the final decision. But there will be the problem of political pressures from community leaders, and their representatives, for area assistance even if this is not fully justified by objective analysis.

A similar problem arose in Great Britain following passage of the Local Employment Act of 1960.¹² This Act redefined the criteria for area assistance. Members of the House of Commons agreed that the redefinition was necessary. But even before the new bill was enacted, there was vigorous debate in the House of Commons with many members of Parliament pleading that communities in areas they represented be returned to the eligible list if as a result of the redefinition they had been removed.¹³ Such pleas were made by some members of Parliament who readily acknowledged that the new criteria were more sensible than those which had been replaced.

How will firms be encouraged to locate facilities in depressed areas?—It is doubtful that sufficient local economic activity can be stimulated in the nation's depressed areas—even with Federal assistance—to significantly reduce the level of unemployment. Somehow capital will have to be attracted to these communities. This, of course, will be up to state and local development agencies. But the Act specifies that the redevelopment of chronically depressed areas cannot be at the expense of other areas. That is, plants cannot be

¹² Eight & Nine Eliz. II, Ch. 18, effective April 1, 1960.

¹³ See the extended debate reported in *Parliamentary Debates* (Hansard), from March 18, 1959 to March 8, 1960.

induced to relocate from one part of the country to another. This will be a difficult provision to administer since one can visualize cases where it would be economically sound for a firm to shut down an old plant in one part of the country and open a new establishment in a depressed area. The Area Redevelopment Administration could find itself in the uncomfortable position of having to refuse to cooperate with state and local development agencies if they appear to be luring plants from other areas.

This problem can be largely avoided if the major targets of the development agencies are the plants of new or expanding firms. The questions still remains: How are these plants to be attracted to depressed areas?

The Area Redevelopment Administration can be of little direct assistance in this respect. It lacks the authority which some similar agencies in other countries have to steer industry to areas of chronic labor surplus. In Great Britain, for example, the Board of Trade—the counterpart of the U. S. Department of Commerce—has administrative authority which no agency in this country possesses, and which is not likely to be granted in the foreseeable future. Even in Great Britain, however, the Board of Trade cannot *direct* a plant to locate in one of the nation's depressed areas. But it can exercise *negative* controls which help steer new facilities to these areas. Before industrial buildings above a specified minimum size can be erected in Great Britain, the builder must have Board of Trade approval. By withholding this approval, the Board can limit the expansion of industry in congested areas—such as London—and by offering other inducements can urge that branch plants be located in areas of chronic labor surplus. There have been complaints about this, but it seems to have worked at least to a limited extent. Such control over the location of industry cannot be exercised in the United States. Local communities will have to rely upon other forms of persuasion, and use other inducements—available plant space, good transportation facilities, and the like—to encourage the expansion of economic activity in labor surplus areas. The Area Redevelopment Administration can assist by providing capital on favorable terms. For commercial and industrial projects the ARA can lend up to 65 per cent of the total cost. The Administrator has recently announced that such loans will be made at four per cent for as long as 25 years.

What kinds of businesses can be attracted to depressed areas?—

The emphasis in state and local redevelopment activities has been upon the attraction of new manufacturing plants. But one problem which will have to be faced in efforts to rehabilitate depressed areas is created by the slow growth of manufacturing employment. Rapid technological change has permitted substantial gains in manufacturing output without corresponding increases in manufacturing employment. Indeed, in some industries output has gone up and employment has dropped. Redevelopment agencies will have to use wider nets and encourage various types of non-manufacturing firms to move to depressed areas. At the same time, these will have to be relatively labor-intensive if they are to cut into the ranks of the unemployed.

Fortunately, the long-term nature of the Federal program of aid to depressed areas has been stressed. It will be easier to encourage firms to locate plants in chronically depressed areas during periods of economic expansion than when unemployment is more general. When some firms run into tight labor market conditions elsewhere, they might be interested in seeking locations in areas with a surplus labor supply. If they are to be successful, local development organizations, aided by the Area Redevelopment Administration, will have to plan their campaigns for the expansion of local economic activities to coincide with periods of high level employment in the nation as a whole.

It is worth repeating, in conclusion, that the area redevelopment program was not intended to be a panacea for the complex problem of structural unemployment. Not every community eligible for aid will be restored to full economic health. But where Federal assistance can be economically justified, the Area Redevelopment Act should do much to assist local groups in their redevelopment efforts. It is an important step—which hopefully will be followed by others—toward realization of the goals expressed in the Employment Act of 1946.

WILL ECONOMIC GROWTH SOLVE THE PROBLEM OF LONG-TERM UNEMPLOYMENT?

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INTRODUCTION

Successive postwar prosperity periods have had rising levels of total unemployment, long-term unemployment (15 weeks or more), and very long-term unemployment (27 weeks or more). chart 1 shows these trends. Two major theories about the recent behavior of unemployment have been offered. The first—based upon an analysis of the impact on employment and unemployment of technological change, shifting product markets, and industrial relocation—is that these dynamic changes have caused labor market dislocations and a rising level of what is, basically, frictional unemployment.

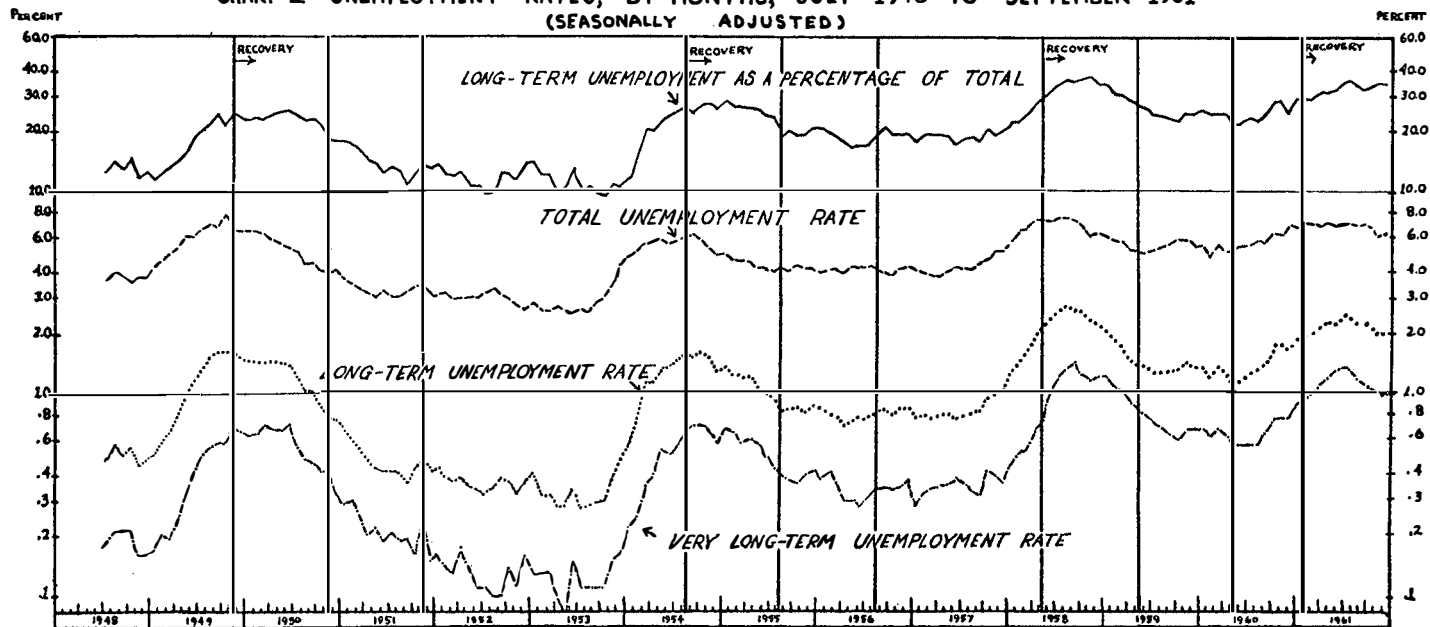
A variation of this theory, offered by Clarence Long, is that the “upward creep of prosperity unemployment” is primarily the result of the “unwanted workers” being priced out of the market. As opportunities for improvement in personal productivity increase, those with inadequate qualifications fall farther behind. At the same time, what Long calls the social minimum wage—“the wage below which custom, employer ethics, or law forbids workers to be employed”—maintains at least a constant relation to the average wage and rises above the individual productivity of larger groups of workers, creating the higher levels of unemployment.¹

The labor market dislocation or “structural transformation” theory and Long’s refinement of it implicitly assume that, in the prosperity periods, we have had adequate rates of aggregate spending and economic growth. The President’s Council of Economic Advisers (CEA) and others disagree. Chairman Heller of the CEA commented that economic recovery, in addition to being a cyclical problem,

is also a problem of chronic slack in the economy—the growing gap between what we *can* produce and what we *do* produce. Espe-

¹ Clarence D. Long, “A Theory of Creeping Unemployment and Labor Force Replacement,” paper delivered before Catholic Economic Association, St. Louis, Missouri, December 27, 1960.

CHART 1 UNEMPLOYMENT RATES, BY MONTHS, JULY 1948 TO SEPTEMBER 1961
(SEASONALLY ADJUSTED)



Source: U.S. Bureau of Labor Statistics.

cially since 1955, the gap has shown a distressing upward trend . . . the movement of the gap is roughly parallel to the unemployment ratio both within cycles and between cycles.²

Which of the two theories is correct, or more nearly correct, has an important bearing on the determination of public policy. If much of the higher unemployment is "structural," this means that we must choose between (1) accepting unemployment rates of 5.0 to 6.0 per cent as consistent with a non-inflationary level of full employment and (2) a really massive governmental program of specialized retraining and relocation assistance to workers and subsidization for companies and communities. On the other hand, if the basic problem is a lag in economic growth, public policy can aim for non-inflationary full employment with significantly lower rates of unemployment and more precisely tailored programs designed to improve the efficiency of the labor market in the reallocation of workers.

RELATIONSHIP OF GROWTH TO UNEMPLOYMENT

The aggregate demand theory assumes a consistent and causal relationship between rates of growth and the reduction of unemployment. We can partially test this assumption by examining the relationship between increases in real gross national product (GNP) and associated rates of decline in total and long-term unemployment during economic recovery periods. This we have done in table 1 for three postwar recoveries. The starting points are the "take-off" quarters when substantial increases in GNP began—the fourth in 1949, the third in 1954, and the second in 1958.

Several conclusions can be drawn from table 1. First, declines in total unemployment have been closely related to increases in output. In the first year of each recovery, total unemployment declined between 3.3 and 3.7 per cent for each percentage increase in real GNP. In the second year of the 1949-51 recovery, unemployment continued to decline in a comparable ratio to economic expansion, but in the succeeding prosperity periods increases in output were apparently too small and total unemployment increases slightly. Adding the first and second years together, total unemployment

² Council of Economic Advisers, *The American Economy in 1961: Problems and Policies*, statement before the Joint Economic Committee, March 6, 1961. See also, Conference on Economic Progress, *Jobs and Growth* (Washington, D. C.: 1961), 92 pp., and Joint Economic Committee, *Higher Unemployment Rates, 1957-60: Structural Transformation or Inadequate Demand*, Joint Committee Print (Washington, D. C.: U.S.G.P.O., 1961), 79 pp.

TABLE 1.

Comparison of Rates of Change in Real GNP and in Unemployment in First and Second Years from Beginning of Recoveries,
Three Prosperity Periods
(Quarterly rates of change)

Years	Periods ^a covered	(1) Real GNP	(2) Total Unemployment	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		Rate of change (1954 dollars)	Rate of change	Ratio to GNP (2 ÷ 1)	Rate of change	Ratio to GNP (4 ÷ 1)	Ratio to total unempl. (4 ÷ 2)	Rate of change	Ratio to GNP (7 ÷ 1)	Ratio to total unempl. (7 ÷ 2)
49-50	1	3.2	-11.7	3.7	-15.6	4.9	1.3	-11.3	3.5	1.0
50-51	2	1.2	- 5.0	4.2	-13.8	11.5	2.8	-17.2	14.3	3.4
49-51	3	2.1	- 8.4	4.0	-14.7	7.0	1.8	-14.3	6.8	1.7
54-55	4	2.4	- 7.9	3.3	-14.6	6.1	1.8	- 9.1	3.8	1.2
55-56	5	0.2	+ 0.4	....^b	- 1.5	7.5	....^b	- 4.6	23.0	....^b
54-56	6	1.3	- 3.8	3.0	- 8.3	6.6	2.2	- 6.9	5.3	1.8
58-59	7	2.4	- 8.4	3.5	-10.3	4.3	1.2	- 0.75	0.3	0.1
59-60	8	0.5	+ 1.0	....^b	- 3.9	7.8	....^b	- 8.3	16.6	....^b
58-60	9	1.4	- 3.8	2.7	- 9.4	6.7	2.5	- 9.4	6.7	2.5

^a 1 = IV '49 to IV '50; 2 = IV '50 to IV '51; 3 = IV '49 to IV '51; 4 = III '54 to III '55; 5 = III '55 to III '56; 6 = III '54 to III '56; 7 = II '58 to II '59; 8 = II '59 to II '60; 9 = II '58 to II '60.

^b Not computed because total unemployment did not decline.

Source: For GNP, U. S. Department of Commerce; for unemployment, U. S. Department of Labor.

declined only 3.0 per cent in 1954-56 and 2.7 per cent in 1958-60 for each percentage increase in real GNP, compared with 4.0 per cent in 1949-51.

Second, there is a delayed reaction between GNP and long-term unemployment in an economic upturn. In each of the second years, long-term and very long-term unemployment declined much faster in relation to economic recovery than in the first years. Looking at the two-year periods, we find that, for each percentage increase in GNP, long-term unemployment fell 7.0 per cent in 1949-1951, 6.6 per cent in 1954-1956, and 6.7 per cent in 1958-1960.

Third, long-term unemployment as a percentage of total has been higher in each successive prosperity period (see chart 1) primarily because of the high level of total unemployment. When total unemployment expands, long-term joblessness increases at a more rapid rate, but when total unemployment declines, long-term also falls at a more rapid rate.

These data do not seem to support the argument about the social minimum wage unless one assumes that labor demand in the recent prosperity periods has been adequate and unemployment entirely frictional. The historical relationship does not suggest any decline in employer willingness to hire the long-term unemployed when labor demand rises over a period of time.

The only major evidence of a change in the relationship is that long-term unemployment reacted more slowly to economic recovery in the early stages of the 1958-1959 and 1961 upturns than it did in earlier recoveries. The current recovery, if it is as short as the last one, will mean entering the next recession with very high levels of long-term unemployment.

RELATION OF GROWTH TO THE CREATION OF JOBS

The relationship between changes in GNP and unemployment is influenced by such variables as the size of the civilian labor force, size of the armed forces, and average hours of work. We therefore inquire next into the relationship between short-term economic growth and net employment change. The relationship, shown in table 2, is very similar in the first two recovery periods even though the growth rate was quite different. In each case, approximately 80 thousand new full-time equivalent jobs were created by each billion

TABLE 2.
Relation of Growth in GNP to Growth in Employment
Three Postwar Recoveries

<i>Recovery Period</i>	<i>IV '49-IV '50</i>	<i>III '54-III '55</i>	<i>II '58-II '59</i>	<i>Line</i>
Change in employment and size of armed forces (seasonally adjusted)	2,620,000	2,510,000	2,020,000	(1)
Equivalent employment change attributable to change in hours of work ^a	470,000	380,000	570,000	(2)
Net employment change (Lines (1) + (2))	3,090,000	2,890,000	2,590,000	(3)
Change in GNP (billions of 1954 dollars)	+38.6	+35.4	+39.4	(4)
Increase in GNP per increase in job (Line 4 ÷ line 3, dollars)	12,500	12,200	15,200	(5)
New jobs per \$1 billion increase in GNP (\$1 billion ÷ line 5)	80,000	82,000	66,000	(6)

^a Equivalent employment change is obtained by multiplying the average increase in hours times the number employed and dividing by the average hours of work per week.

dollar increase in GNP, and the increased employment resulted in an unemployment rate of about four per cent at the end of one year.

In the 1958-1959 recovery, however, only about 66 thousand new full-time equivalent jobs resulted from each billion dollar increase in real GNP. In other words, we may now need a more rapid increase in output than before in order to produce a given expansion in employment. Our experience thus far with the current recovery tends to support this conclusion. While real GNP increased at an average rate of 2.4 per cent per quarter between the first and fourth quarters of 1961, the number of people with jobs and in the armed forces increased by only 300 thousand, although the increase in average hours was the equivalent of almost one million jobs.

STRUCTURAL DISLOCATIONS AND UNEMPLOYMENT

We now consider whether any evidence supports the argument that structural changes in the labor market have been a major cause

of the higher levels of unemployment in prosperity years. This argument has several facets. One is that structural changes in the composition of the labor force cause some of the unemployment, but as a CEA analysis points out:

There is little evidence that current unemployment is unusually concentrated in particular compartments of the labor force, whether age, sex, color, marital status, or education. Nor can the current level of unemployment be attributed to certain industry or occupation groups. . . . The evidence is that our high overall rate of unemployment comes from higher unemployment rates group by group, category by category, throughout the labor force.³

The CEA computations, based on 1957 and 1960 data, suggest that only a very small proportion of the increase in unemployment between those two years could be attributed to structural factors. Our own analysis of the effects of changes in the composition of the labor force between 1950 and 1960 on both total and long-term unemployment shows a similar result.

A second facet of the argument is that an accelerating rate of worker displacement caused by rapid technological change results in higher unemployment. One can point, for example, to the trend in higher layoff rates in manufacturing in prosperity periods—1.0 per one hundred employees in 1947, 1.3 in 1953, and 1.6 in 1959. Or we can look at the rate at which jobs are disappearing in declining industries. Between 1947 and 1953, in broad one-digit industry groups which had an absolute decline in employment, the loss of jobs was 2.8 per cent of 1947 total employment. The comparable loss between 1953 and 1959 was 4.7 per cent of 1953 total employment. In 27 two- and three-digit industry groups (bituminous coal, meat products, etc.) with absolute employment declines, the loss of jobs in the two periods of time was 4.0 per cent and 5.1 per cent.⁴

Although displacement apparently has increased, the evidence is that productivity has accelerated little, if at all, in the past few years. Furthermore, over short periods of time, there has been no significant relationship between changes in productivity and changes in employment (total manhours), and over long periods of time employment has increased most rapidly when productivity has increased

³ Council of Economic Advisers, *op. cit.*, p. B-1.

⁴ These data probably understate displacement because they only show net declines for whole industry groups.

rapidly.⁵ As noted in a recent study paper prepared for the Joint Economic Committee:

A faster rate of productivity increase may lead to more displacement of labor, but at the same time result in lower levels of unemployment because of the stimulating interaction between technical progress and consumer and producer demands.⁶

A final facet of the argument concerns the concentration of unemployed workers in areas of chronic unemployment. It does not appear, however, that the distressed area component of unemployment is increasing as a proportion of total unemployment. In each of the business cycle peaks of May 1953, 1957, and 1960, unemployment rates in labor surplus areas exceeded the national rate by about the same proportion.⁷ And the geographic mobility of unemployed workers has been about as high in recent years as in the post-World War II period as a whole.⁸

Unfortunately, the data on structural changes in the labor market are not very precise. Analysis would be aided materially if periodic data were available on the volume and characteristics of job openings in the economy. The available evidence, however, seems to show that high unemployment among some groups of workers, accelerated worker displacement, rising layoff rates, and depressed area unemployment can all be attributed in considerable degree to inadequate demand.

GROWTH NEEDED TO REDUCE UNEMPLOYMENT

If the economy were successful in achieving a four per cent unemployment rate by the fourth quarter, 1962, or the first quarter of 1963, previous experience would suggest a decline in long-term unemployment from the third quarter, 1961, level of about 1.6 million persons to as little as 600 thousand persons, or about 0.8 per cent of the labor force. What are the estimated growth requirements to achieve unemployment levels of that magnitude?

Assuming, first, that the current economic expansion will repeat the patterns of the 1949-50 and 1954-55 recoveries, a growth rate of 2.2 per cent per quarter from the third quarter, 1961, would be required to reduce the unemployment rate to four per cent by the

⁵ Joint Economic Committee, *op. cit.*, p. 77.

⁶ *Ibid.*, p. 77.

⁷ Council of Economic Advisers, *op. cit.*, pp. B-4 and B-15.

⁸ Joint Economic Committee, *op. cit.*, pp. 40 and 77.

fourth quarter, 1962. The required growth rate would be 2.1 per cent to attain this goal by the first quarter, 1963. The projections, shown in table 3, assume a conservative increase in the labor force participation rate, no increase in average hours of work or in the size of the armed forces, and the same relationship between increase in GNP and employment as obtained in the 1949-50 and 1954-55 recoveries.

Either of these growth rates would seem to be reasonably attainable. They are less than the expansion in GNP during each of the three previous postwar recovery periods.⁹ If, however, we assume that the current recovery will be more similar to the 1958-59 recovery than to the two earlier ones and that average hours of work increase by one hour per week, the growth requirements are much higher.

The required growth rates under these different assumptions are compared in table 4. While it is not certain which conditions are most likely to obtain in the coming months, it would be our guess that an average growth rate of at least 2.5 to 3.0 per cent per quarter will be necessary in the next five or six quarters to reduce unemployment to a four per cent level. The increase in real GNP from the first to the fourth quarter of 1961 was only 2.4 per cent per quarter, and experience in previous recoveries has always been slower rates of expansion after the first few quarters.

Thus, it is doubtful whether the projected growth rates shown in table 4 can be sustained long enough to reduce the unemployment rate to four per cent. If we compare the required growth rates under the three assumptions for the two-year period from the first quarter, 1961, with the growth rates of comparable two-year periods in the past we find that only in the 1949-50 recovery and prosperity did the growth rate exceed any of the estimated current growth requirements. Expansion in output in the last two recoveries was less than the requirement under even the most optimistic assumptions. See the footnote to table 4.

Our analysis suggests that it is quite unlikely that we will approach an unemployment rate of four per cent in the next five or six quarters, unless the economy receives more of a stimulus than is yet apparent. The most difficult task is likely to be that of sustaining

⁹ Comparable rates of growth in the earlier recovery periods were as follows: IV '49 to IV '50, 3.2 per cent per quarter; III '54 to III '55, 2.4 per cent per quarter; II '58 to II '59, 2.4 per cent per quarter.

TABLE 3

Projected Population, Labor Force Components, and Estimated Growth Requirements to Obtain Four Per Cent Unemployment Rate by Fourth Quarter, 1962, and First Quarter, 1963.

	<i>Actual III '61</i>	<i>Estimates IV '62</i>			<i>Estimates I '63</i>		
		<i>Amount</i>	<i>Change from III '61</i>		<i>Amount</i>	<i>Change from III '61</i>	
			<i>Amount</i>	<i>Per Cent</i>		<i>Amount</i>	<i>Per Cent</i>
Civilian Population, 14 and over, ^a (in millions)	125.65	128.7	3.05	2.43	129.3	3.65	2.9
Labor Force Participation Rate	56.9	57.5	....	....	57.7	....	....
Civilian Labor Force (s.a., in millions)	71.5	74.0	2.5	3.5	74.6	3.13	4.4
Unemployment Rate	6.9	4.0	-2.9	-42.0	4.0	-2.9	-42.0
Unemployment (s.a., in millions)	4.91	2.96	-1.95	-39.7	3.00	-1.91	-38.9
Employment (s.a., in millions)	66.7	71.0	4.3	6.4	71.6	4.9	7.3
Gross National Product ^b (billions of 1954 dollars)	453.0	506.2	53.2	11.7	513.6	60.6	13.4
Long-Term Unemployment ^c (15 or more weeks, s.a., in millions)	1.65	.625	-1.025	-62.0	.625	-1.025	-62.0
Very Long-Term Unemployed ^c (27 or more weeks, s.a., in millions) .....	.894	.300	-.594	-66.0	.300	-.594	-66.0

^a Projections for 1962 and 1963 based on projections of the total population aged 14 and over found in: U. S. Department of Commerce, *Current Population Reports*, Series P-25, No. 187, Nov. 10, 1958, p. 17. A straight line projection from the actual Third Quarter 1961 figure to the projected July 1, 1965, figure was used. Projection assumes no change in size of armed forces.

^b Estimated values in 1962 and 1963 are those that would have to be reached to obtain the employment estimate above assuming the relationship between increases in GNP and increases in employment is the same as that which occurred in the 1949-50 and 1954-55 recoveries.

^c Estimates for 1962 and 1963 assume relationships between the labor force and long-term unemployment and very long-term unemployment are the same as in earlier periods when the unemployment rate approximated 4.0 per cent.

TABLE 4
Estimated Quarterly Growth in Real GNP Required to Attain
Four Per Cent Unemployment Rate by Fourth
Quarter, 1962, and First Quarter, 1963.

Assumptions	Quarterly Per Cent Increase in Real GNP to Attain 4% Unemployment Rate		
	Between III Q '61 & IV Q '62	Between III Q '61 & I Q '63	Between I Q '61 & I Q '63
A			
1) No increase in average hours of work per week, and			
2) GNP related to employment as in 1949-50 and 1954-55 recoveries	2.2%	2.1%	1.6%
B			
1) No increase in average hours of work per week, and			
2) GNP related to employment as in 1958-59 recovery	2.7	2.6	2.0
C			
1) Average hours of work per week increase 1.0 hours above III Q '61, and			
2) GNP related to employment as in 1958-59 recovery	3.7	3.4	3.3

* Quarterly rates of growth over two years in previous recoveries were 2.1 per cent (IV '49 to IV '51), 1.3 per cent (III '54 to III '56), and 1.4 per cent (II '58 to II '60).

the recovery beyond the second or third quarter of 1962. Should the recovery level off after the second quarter, 1962, unemployment will probably not fall below 5.0 to 5.5 per cent during the "prosperity" period.¹⁰

SUMMARY AND CONCLUSIONS

The foregoing analysis is based on the very limited and imprecise data available. Conclusions can, therefore, be only tentative. Our finding that economic growth in recovery periods has had a fairly consistent relationship to total unemployment, long-term unemployment, and the total expansion of jobs, however, supports the theory that the basic cause of high levels of unemployment in recent prosperity periods has been inadequate growth.

A four per cent level of unemployment may be difficult to achieve by the first quarter of 1963. The requirements are, first, attaining a

¹⁰ This estimate assumes a growth rate of about 2.4 per cent per quarter and no increase in average hours of work to the second quarter, 1962.

sufficiently high rate of growth, probably an average of 2.5 to 3.0 per cent per quarter and, second, sustaining that rate at least until 1963.

How to obtain the estimated growth rate and maintain it long enough are subjects beyond the scope of this paper. We should like to state emphatically, however, our belief that while general measures to stimulate labor demand are necessary to achieve higher levels of employment, they are not, by themselves, sufficient to provide a satisfactory allocation of the labor force among available and newly-available jobs or to reduce unemployment to the minimum frictional level.

Studies which we have conducted in five communities of manual workers displaced by plant shutdowns, support our contention that policies for economic growth should be coordinated with policies to improve the functioning of the job market.¹¹ These studies show that the displaced workers were unemployed for much longer periods of time than the average, had unemployment rates many times the average in their communities, and found that job prospects tended to deteriorate the longer they were unemployed. And some groups—Negroes, older workers, the less skilled, and those with non-transferable skills—had more and longer unemployment than others. Finally, most of those who secured employment found that their new jobs had substantially lower pay and skill content than the jobs they formerly held.

Even a substantial economic recovery would not eliminate all of the labor market adjustment problems caused by changes in product markets, industrial location, technological change, and declining occupations and industries. We believe, therefore, that there are several persuasive reasons for advocating such publicly supported measures as more extensive job clearance, retraining, assistance in worker relocation, and extended unemployment insurance benefits. First, workers who are unlucky enough to be displaced from obsolete jobs bear an unfair burden of the costs of dynamic economic change and frequently are not in a position to overcome their disadvantages in the labor market by themselves. For this reason we advocate extended unemployment benefits, particularly if integrated with retraining and relocation. Second, because of the known barriers to re-

¹¹ Space precludes more than a brief mention of these studies, four of which were conducted for the Armour Automation Committee. The results of these studies are included in our forthcoming book, *Unwanted Workers*, to be published by The Free Press of Glencoe, Inc.

employment based on race, age, and other personal characteristics, special assistance to these groups in the job market can be supported under the goal of fostering equal opportunity. Third, retraining of those who have become "redundant" in declining industries and occupations is likely to take place more quickly, more thoroughly, and with less discrimination if there is public responsibility for a major portion of appropriate retraining. When new skills are needed, public retraining has the same basic justification as public education. In our view, therefore, governmental assistance to workers and employers in labor market adjustments is an important element in a coordinated program of economic recovery.

Finally, if our analysis is correct and total and long-term unemployment can be very substantially reduced with a more adequate rate of economic growth, a 4.0 per cent level of unemployment is a much more feasible goal than it would be if most of the higher unemployment were the result of structural dislocation. Further, our analysis suggests that it might be a feasible public policy goal to seek an unemployment rate lower than 4.0 per cent without thereby creating serious inflationary pressures if a carefully tailored program of retraining, relocation, and referral is developed that would improve the efficiency of the labor market in the allocation of workers among available jobs.

DISCUSSION

G. H. BORTS

Brown University

Our revived concern over the unemployment rate is not an indication that a prosperous nation is seeking new but minor complaints as the old are cured. Mr. Lebergott has misled his listeners if he has convinced them that the reduction of the unemployment rate below 6% is a comparative luxury. There is no way to compare yesterday's priorities with today's, for we cannot plan backwards. Six per cent unemployed may seem like Nirvana compared to the rates of the 1930's. Nevertheless, today's rate poses one of the most intractable economic problems we face currently. For increasing claims on our resources place a high priority on satisfactory output levels.

The concern over the unemployment rate stems from two beliefs. First, that structural changes in the economy have increased the proportion of the labor force which is likely to be unemployed for any given level of aggregate demand and the real wage. Second, that subtle changes in the environment have weakened the role of traditional remedies.

With regard to structural changes: The demand for factory labor has fallen more rapidly than new jobs could be created for men with the same talents. In addition, where new jobs have appeared, they are not in the regions where the unemployed are located. As a result of these changes, an increasing body of workers, relatively immobile at least in the short run, in terms of occupation and location, have been unable to find new jobs. It is generally agreed that recently these changes in the demand for labor stem from the introduction of technological improvements in the production of durable goods, during a period when demand for such goods has grown at a disappointing rate.

A second type of structural change, not mentioned by the present authors, affects the supply of labor and the number of measured unemployed which are likely to appear. In a period when the labor supply is growing, as at present, the number of measured jobless will be greater as a consequence of the greater importance of entering age groups. This is a consequence of the fact that entrants into the labor market require a certain period of time to shop for a job. The

same effects on the number of measured jobless are noted when there is an increase in the proportion of seasonally and casually employed workers. With a continual increase in the labor force participation by women we can certainly expect an increase of this second type. Note that this is in contradiction to Lebergott's surmise that "an ever-rising proportion of women in the labor force tends to mean ever-rising possibilities for resource allocation without unemployment."

With regard to the traditional remedies to cure unemployment: First there is some doubt whether in the future the Federal government will be as willing to employ deficit spending and cheap money. The Federal administration is concerned to protect the external value of the dollar in the face of foreign aid and military commitments. This concern is an omen of long-run deflation. Ten years ago, few economists would have dreamed that the orthodoxy of the gold standard would have priority over full employment as a goal of U. S. economic policy.

Second, doubt has been raised over the efficacy of aggregate demand as a cure for unemployment. Two of the speakers, Miernyk and Lebergott, feel that some fraction of our unemployment is "structural," and therefore cannot be reduced by this method. Miernyk's position is clear from his concentration on depressed area legislation—a policy which would be inferior, were aggregate demand effective. Lebergott maintains the same position, noting the insensitivity of depressed area unemployment to the stimulus of the Korean War. On this issue, Franke and Wilcock are opposed to the above conclusions. They regard the "basic cause of high levels of unemployment in recent prosperity periods as inadequate growth. Labor market dislocations have been more a symptom than a cause." Here is a clear conflict. If the labor market dislocations of depressed areas are a symptom of inadequate aggregate demand, then the cure is higher levels of aggregate demand, not depressed area legislation. The argument for depressed area legislation must rest on the belief that the depressed area unemployed are geographically immobile and economically isolated from full employment conditions elsewhere. Similar arguments must be made for special treatment of any group of unemployed.

While anyone is free to choose his own definition of terms, it is clear from the above what is meant by structural unemployment. It indicates the failure of the real wage to adjust to demand and supply

conditions in particular labor markets regardless of the state of aggregate demand. As opposed to this, cyclical unemployment indicates a failure of aggregate demand. Wilcock and Franke regard long-term unemployment as mainly nonstructural, and refer to the cyclical rehiring patterns to support their position. They attack Clarence Long in the belief that he regards long-term unemployment as structural. This aspect of their paper is not clear. As far as can be read from their quotation, the Long thesis does not imply that long-term unemployment is structural in the sense that it is independent of the level of aggregate demand. Long's analysis is that unwanted workers are being priced out of the market by rises in the social minimum real wage relative to their equilibrium real wage. The implication is that they will be re-employed if their money wages fall, if the price level rises due to increases of aggregate demand, or if the relative costs of hiring other workers rises. It is clear that the latter two phenomena can and most likely do occur during the cyclical rehiring phases cited by Franke and Wilcock. Thus, the Long thesis may be supported by their evidence.

In conclusion, most economists are agreed on the remedies for structural unemployment, and if squeezed hard enough, they agree on its causes. The disagreements arise over its importance relative to total unemployment. I think there is a danger that we will overestimate the portion of unemployment which is structural. For many types of workers appear immobile when aggregate demand is inadequate. We are in danger of minimizing the unemployment problem by overstating its structural aspect. We are also in danger of recommending too little in the way of intelligent Federal policy by diverting attention from the efficacy of aggregate demand as a stimulus to re-employment.

ROBERT J. LAMPMAN

University of Wisconsin

Once in the dear, dark days beyond recall there were two theories about unemployment. One, which was known as a structural theory, placed its emphasis upon reform of the market. It called for elimination of monopolistic restrictions, for greater mobility of labor, and for abandonment of minimum wages arrangements. The other, known

as an aggregate demand theory, placed its emphasis upon increases in total spending.

The second theory may be said to have been proved in practice by the extraordinary experience of World War II. Whatever strengths the structural barriers had, they were not sufficient to stand against the flood of wartime spending, which caused the virtual disappearance of unemployment. In the period since 1941 we have not returned to mass unemployment conditions which characterized the 1930's. Lebergott does well to remind us that in 1937, a relatively good year, there was an unemployment rate of 14% in this country. By comparison our worst level of "prosperity unemployment," 5% in 1960, does not sound so bad. Now the question is: can we contain unemployment fluctuations within the realm of below 4 to not over 8 per cent over the business cycle?

Presently, we have a revival of the controversy of the 1930's, but the partisans and their arguments are different, only the banners under which they march are the same. Two questions will serve to show how the field divides. First, ask the following question about the current recovery: If GNP grows at some "average" rate, will it bring unemployment down below what we have come to think of as a level too high? The answers to this query, e.g., the one given here by the Wilcock-Franke paper, seem generally to be negative. This is a matter about which Arthur F. Burns and the new Council of Economic Advisers have had their differences. If we accept the negative answer, then the structuralists say that we should adopt measures which will reduce barriers to labor mobility. The aggregative theorists, on the contrary, say we should undertake steps to greatly increase the level of demand.

A second question further divides the field. If aggregate spending were to rise (or be supplemented) to a level high enough in the current recovery to reduce unemployment to 4% or lower, would we have an intolerable inflation? Here the structuralists, some of them bearing a sign reading "cost-push," say yes. On this question, some who were aggregativists on the previous question, leave the ranks, and become structuralists. They are encouraged to leave because of concern with the balance of payments and belief that keeping wages and prices down will ease balance of payments troubles. In leaving, they thin the ranks of those who advocate aggregative measures to a small number who either (a) deny that inflation will inevitably accom-

pany a 4 per cent level of unemployment, or (b) deny that controlling inflation by keeping unemployment high will solve the balance of payments problem any better than will a policy of reducing unemployment and letting prices rise. Here the argument enters a tangle concerning causes of and remedies for the deficit in the balance of payments.

That, then is the state of the contemporary controversy about unemployment. It is an involved controversy, the quality of which is perhaps improved by making clear what the several questions are. A second way to improve the controversy may be to introduce some new terms. I suggest the following: The actual minimum level of unemployment which is believed to be associated with the maximum acceptable rate of inflation should be referred to as the "actual inflationary minimum." The minimum which has historically been achieved with the maximum acceptable rate of inflation should be called the "historic inflationary minimum." The actual minimum less the historic minimum should be called the structural level of unemployment.

I make this suggestion in full realization that we already have several definitions of structural unemployment, but also with the understanding that no one has developed a way to measure such unemployment. I was intrigued by a statement by John P. Henderson that "The basic reasons for this (high unemployment) seem to be structural as well as cyclical, in that technological changes are displacing labor in some of the major sectors of the economy, and the displaced workers cannot be reabsorbed by increases in general purchasing power of the magnitude recently experienced." (*Changes in the Industrial Distribution of Employment, 1919-1959*, University of Illinois Bulletin, Vol. 59, August, 1961, p. 103). The last phrase of that statement would seem to intermingle structural remedies with aggregative deficiencies. This seems to be not uncommon in the literature of today. Similarly, Wilcock and Franke seem to me to be confusing cyclical recovery with long-term growth. The aggregative deficiency manifested in one or two recoveries may or may not be incompatible with the major shifts in the labor force required by long-term changes in the demand for labor. In any event, it is worth the emphasis which they give to it that a growing labor force with rising productivity requires ever-growing levels of aggregate demand in order to keep a constant percentage of unemployment.

The proposal here offered as a definitional measurement of structural unemployment would mean something on this order: If 4 per cent unemployment was our historic inflationary minimum and 5 per cent is established during the coming year as the actual point at which inflation appears, then we would say that the structural level of unemployment is 1 per cent.

This leads to a statement about the appropriate ordering of questions. When the economy is operating below the actual inflationary minimum, all parties should be able to agree that the prime question is how to increase aggregate spending. This is the prime question because few of the structural reforms make much sense; that is, they are self-defeating or won't contribute much without high level employment. For example, depressed area redevelopment may be only a plan to share unemployment.

On the other hand, when the question is how to get from the actual inflationary minimum to a lower, perhaps historic minimum level of unemployment, then the structural reforms come into their own as prime questions and are not, in general, contradictory to, but complementary to aggregative measures. Under this heading we can all endorse the proposals made by our panelists for a closer study of labor mobility, for better data on unemployment, including weekly surveys and a table of sources and uses of the labor force, for an improved and expanded employment service and for retraining and relocation programs.

JOHN G. TURNBULL

University of Minnesota

The three papers presented at this session deserve two tributes: first, they are not only imaginative and stimulating in their own right, but, second, the authors were most conscientious in that they got copies to the discussants well in advance of this presentation. We discussants were more derelict in our duties in that we did not divide up our critical responsibilities. Since alphabetically I was the last one to speak, perhaps the most useful function I can perform is to try to pull together the threads of thought in the papers and in the commentaries.

The authors are agreed, to a greater or lesser degree, on both problems and remedies in the fields under discussion.

First, the problems. The authors indicate

1. Unemployment is an undesirable phenomenon.

2. A target of perhaps no more than 4 per cent unemployment is a realistic goal; moreover this goal should be approximated as continuously as possible, i.e., deviations from it on the high side should be minimized.

3. Unemployment is "caused" by various factors; perhaps cyclical and structural factors predominate with the former the more important.

4. Additional unemployment data would be most useful for both analytic and policy purposes. Such data would be of two kinds: more frequent figures, and, in greater detail.

Second, the remedies. The authors suggest three approaches to the problem, via the routes of prevention, reduction, and alleviation.

1. Insofar as unemployment is "cyclically" caused, "steady" growth, and its handmaidens of monetary and fiscal policies are powerful and proven "preventive" techniques. And such techniques, effectively used would preclude unemployment from rising much over the "optimal" level. Insofar as such policies were "fully" effective, the "cycle" would, of course, tend to "disappear." These methods will also aid in the structural unemployment case, though here other techniques—retraining for example—would need to be used.

2. "Reduction" of unemployment might be viewed primarily in terms of that which is structurally caused. Insofar as this kind of unemployment cannot be prevented by, e.g., advance planning, it can be reduced by more fully rationalizing labor market operation. Such rationalization would encompass a variety of techniques ranging from improving the flow of labor market information to retraining those whose present skills were no longer in demand. The broad range of area development activities would also come into play here.

3. Alleviation of the undesirable economic consequences of unemployment can be accomplished in part by unemployment insurance. This income maintenance approach, while not without its defects, affords a useful built-in stabilizer.

But, having said this much, let us look at problems that remain:

problems that may be considered in the same areas of prevention, reduction, and alleviation as discussed above.

1. At the preventive level, growth is not "steady" and the cycle has not been eliminated. Moreover, as Wilcock and Franke point out, recent data suggest that growth is yielding less in the way of new jobs than formerly. In the first two postwar recoveries, each billion dollar increase in GNP created approximately 80 thousand new full-time equivalent jobs; but, in the 1958-1959 recovery, only about 66 thousand new jobs resulted from each billion dollar increase. And Lebergott suggests that to achieve the long-term minimum (4 per cent) may be difficult; that as one approximates this level the problem slips out of the province of the monetary and fiscal authorities.

Hence two types of problems appear. First, to create the same number of new jobs is may be necessary to grow more rapidly than previously. To suggest this is easy; to accomplish it is quite another matter. Second, the use of monetary and fiscal policy as a *preventive* tool requires a delicate touch that may limit its full effectiveness. Therefore, to keep unemployment from rising over some optimal level through growth and the allied techniques of monetary and fiscal policy, we may well require a degree of operational sophistication we do not now possess.

2. Reducing unemployment, once it has developed, also is not without its problems. There is little doubt that labor markets can be made to operate more "effectively," as through increasing the flow of job information or in improving vocational counseling. But, where such unemployment is structural, it may require much more than labor market rationalization—in its fullest flower—to reduce it. Certainly the Armour experiences are not a cause for complacency.

Why should this be? The reasons seem varied. For one thing, retraining is not easy to accomplish physically or psychologically. For another, there is no guarantee of a job once retraining has been completed. Finally, new employment may require a degree of spatial mobility not easily achieved. Hence area redevelopment, which hopes to bring jobs to people rather than moving people to jobs, is no accident; as Miernyk shows, it does possess a kind of rationale. But it may also be a means of perpetuating an uneconomical resource allocation that ought to be altered. There is a politics as well as an economics of the problem, and the politics may submerge the economics.

A curious kind of reversion to the lump of labor theory has de-

veloped as one alternative approach to this type of unemployment problem. If the displaced person (e.g., an older individual) cannot be relocated mayhap he can be retired; it is perhaps more than a coincidence that the OASDI retirement age has been lowered. Thus two purposes are accomplished: the older worker is taken care of and a younger job seeker is not threatened. But this is surely a curious way to approach the problem; it is uneconomical for society at large and psychologically debilitating to the individual. One may suggest it hardly resolves the real issues.

3. The strengths and weaknesses of unemployment insurance—as an alleviative program—have been discussed extensively elsewhere and need not be repeated here. One feature of this system does, however, merit attention, and that is its possible use for prolonged unemployment, as this prolonged unemployment has become more serious since 1945. As originally conceived, such compensation was for short-run income-maintenance purposes. But, within the past five years we have witnessed two temporary extensions, and a number of states have “triggered” systems which lengthen benefits contingent upon a worsening of unemployment. What problems are associated with the use of this program for prolonged unemployment? We know far too little about these matters.

In conclusion, problems call forth responses which are not without their own side effects; problems which Lebergott, Miernyk, Wilcock, and Franke have so perceptively spelled out above. And even though the economics of labor is not the fashionable academic subject it once was, enough problems remain so that economists of this persuasion are not likely to become unemployed—cyclically or structurally.

Part III

**TRADE UNION GOVERNMENT
AND THE EVIDENCE OF
LANDRUM-GRIFFIN**

TRADE UNION GOVERNMENT—CONCEPTS AND PERSPECTIVES

JACK BARBASH

University of Wisconsin

The aim of this paper is to outline the influential themes and perspectives in the scholarly study of trade union government.¹ As used here union government refers to (a) the forms of union government, i.e., national, local, central body, etc., (b) the relative allocation of power among and within these forms, and (c) the kinds of jurisdictional boundaries to which the union government applies, i.e., structure.

The study of unionism as a subject of scholarly inquiry is part of the academic climate that also produced the founding of the American Economic Association in 1885 and the emergence of "institutional economics" as a school of economic thought. Environmentally, unionism in the United States was becoming important enough to break through the category of pauperism and charities.

The scholarship in union government is divided here between the studies made before 1933 and after 1933. The reason for this division is the major difference which I find in the climate of attitudes between these two periods. In the early period with the unions struggling for survival and acceptance in the general community the scholars conceived their role to be to interpret the meaning of unionism in a sympathetic but critical way. In a special sense the prevailing temper of scholarship was in the direction of "Americanizing" the labor

¹ A comprehensive bibliography supporting this paper is much too extensive to be included here. Only works specifically cited or quoted are included in the footnotes. For additional material the following contain comprehensive bibliographies on the government of unions: Mark Perlman, *Labor Union Theories in America* (Evanston: Row Peterson, 1958); Ralph H. Bergmann, *Structure and Government of American Labor Unions*, An Abstract of Selected Literature, Champaign, Ill., Institute of Labor and Industrial Relations, University of Illinois, 1952; Daisy L. Tagliacozzo, "Trade Union Government, Its Nature and Its Problems: A Bibliographic Review, 1954-55," *American Journal of Sociology* (May 1956); Joel Seidman and Daisy L. Tagliacozzo, "Union Government and Union Leadership," in *A Decade of Industrial Relations Research, 1946-1956*, Neil W. Chamberlain, Frank C. Pierson, and Theresa Wolfson, eds., IRRA Series (New York: Harper, 1958); Jack Barbash, *Labor's Grass Roots* (New York: Harper, 1961); U. S. Congress, Senate, *Government Regulation of Internal Affairs Affecting the Rights of Members*, Selected Readings prepared for the Subcommittee on Labor of the Committee on Labor and Public Welfare by the Legislative Reference Service, Library of Congress, 85th Cong., 2d Sess., (Washington: Government Printing Office, 1958).

movement, to make it a respectable member of the industrial society. After 1933, as unions increase their power, there are some scholars who continue in the older tradition, but in the main scholarly work takes off from the abuses of union power and with (what is regarded as) the eclipse of union idealism.

I am able to identify ten important themes in the "first period" of union government studies; specifically: (1) evolution of democratic forms, (2) evolution of governmental forms, (3) extension of markets as the dynamic element, (4) typologies of function and structure, (5) job consciousness as the dynamic element, (6) why did the Knights of Labor fail? (7) the effect of immigration, (8) the "company union" challenge to the labor movement, (9) union government as the harbinger of community government, (10) from democracy to oligarchy. Union government, it should be noted, was not exclusively—nor even centrally—the point of reference in the elaboration of these themes as conceived by many of the authors. What I have done is to highlight the themes as they apply to union government. Nor are these themes offered as mutually exclusive in any logical sense.

II

The concept of evolution of democratic forms is associated with the pioneer trade union investigations of the Webbs. In their monumental *Industrial Democracy* they traced the drift from "primitive" to "representative" democracy and the parallel centralizing tendency toward national unionism. Although they were not blind to personal power aggrandizement in the trade union movement the centralization they were observing arose out of essential functions.²

The "extension of markets" as the decisive factor in the evolution of trade union government was stated by John R. Commons in his classic *Shoemakers'* essay.³ Commons observed that with each enlargement in the scope of the market—"itinerant," "personal," "local," "waterways," etc.—the labor movement developed "protective" organizational mechanisms, from craft guilds to industrial unions, "to ward off the peculiar competitive menace of each state of development." John B. Andrews later applied Commons' markets theory

² Sidney and Beatrice Webb, *Industrial Democracy* (London: Longmans Green, 1897).

³ John R. Commons, "American Shoemakers, 1648-1895," in *Labor and Administration* (New York: Macmillan, 1923).

formally to the facts of labor history and in specific to the emergence of the national unions. Andrews enlarged on Commons' market emphasis to include employer organization and technology as factors in the development of national unionism.⁴

The evolution of trade union governmental forms was the main task to which the Johns Hopkins group, led by George Barnett, applied itself. In the process they came closer to setting out a systematic "political science" of trade unionism than any other effort before or after. Barnett's general contribution was to trace and explain the dominant forms of union government of each period from local unionism to the local federations (i.e. the central bodies) to the national federation and ultimately to the triumph of the national union.⁵ In addition, Barnett studied the printers and the effects of technology on their governmental system. His colleagues produced variously a general study of the government of the labor movement and specific investigations into the Cigar Makers, Iron Moulders, and the early federations. Studies in trade union functions included apprenticeship, finances, benefits, admission practices, and organizing.⁶ The Hopkins group was very cautious with its generalizations and the drift toward centralization was as far as they would go.

The classic typologist of trade union government was Robert Hoxie. Under the influence of Veblen, Hoxie sought to apply "social psychological" insights to the union and emerged with a series of basic "functional" types of unionism: business, uplift, revolutionary, predatory, and dependent. From these functional types Hoxie derived a typology of structure: craft union, crafts or trades union (really the central bodies), the industrial union, and the (general) labor union. Hoxie used structure in various senses and in one of them he observed a tendency for the "union organic structure to parallel the capitalistic, a union unit to meet each capitalistic unit."⁷ Hoxie

⁴ John B. Andrews, "Nationalisation," in John R. Commons and others, *History of Labour in the United States*, Vol. II (New York: Macmillan, 1926), pp. 43-44.

⁵ George Barnett, "The Dominance of the National Trade Union in American Labor Organization," *Quarterly Journal of Economics* (XXVII), reprinted in John R. Commons, *Trade Unionism and Labor Problems* (Boston: Ginn, 1921) 2nd Series.

⁶ Jacob Hollander and George E. Barnett, eds., *Studies in American Trade Unionism* (New York: Henry Holt, 1906); Theodore W. Glocker, *The Government of American Trade Unions* (Baltimore: Johns Hopkins, 1913).

⁷ Robert F. Hoxie, *Trade Unionism in the United States* (New York: Appleton, 1923), p. 99.

saw in union history a constant struggle between the forces of centralization and decentralization, autocracy and democracy, social idealism and enlightened self-interest, narrow trade autonomy and industrialism, economics and political method.

The theme which is still the point of reference for most discussions of union theory is Selig Perlman's job consciousness. As developed in *A Theory of the Labor Movement*, job consciousness is the foundation of a general theory of the labor movement with applications (among others) to trade union government. Job consciousness is a social-psychological fact stemming from the manual worker's characteristic scarcity reaction to economic opportunity. It stands in contrast to the broader units of solidarity which the intellectual would like to impose on the labor movement. The latter seeks to substitute for the wage earner's interest in freedom "on the job"—which is what matters supremely to him—"a higher freedom" based on labor as an "abstract 'mass' in the grip of an abstract 'force.'"⁸ However, job consciousness does not automatically rule out industrial unionism or public policy. Both can be authentic expressions of the manual worker's interest—where he comes to them by way of *job* interest. Craft unionism is a more congenial structure to the manualist psychology and "business" unionism a more compatible function. Job consciousness also provides the best fit for interpreting the survival of the AFL and the narrow-based interests of the craft unions.

As a by-product of the Wisconsin school's history and theories a scholarly debate ensued as to why the Knights of Labor failed. Was the fatal flaw to be found in its stretching of the solidarity principle, as Perlman in effect was saying? Or was the defect to be found in the incompetence of the Order's leadership, as Norman Ware asserted?⁹

The scholars who examine the impact of immigration on union government do it in the setting of an acrimonious national debate on the larger public policy issue. Unavoidably, perhaps, what divides them is an underlying value judgment as to the desirability of immigration. Commons explains understandingly the plight of the unions who are reacting restrictively to the "competitive menace"

⁸ Selig Perlman, *A Theory of the Labor Movement* (New York: Kelley, 1949), p. 280 *passim*.

⁹ Norman J. Ware, *The Labor Movement in the United States, 1860-1895* (New York: Appleton, 1929).

of immigration. Others like Hourwich, Carlton, and Leiserson¹⁰—the last two Wisconsin products—are rather more sympathetic to the plight of the hapless immigrant. They point to the union's governmental processes as the immigrant's training ground for the exercise of citizenship in the democracy at large and to workable techniques of effective participation in the union by the immigrant.

After World War I, the sharp setback in unionism's fortunes directed the attention of scholars to the emergence of quasi-union forms, notably the company union. Columbia's Henry Seager, writing in 1922 after the railroad shopcrafts' strike, saw a role for the company union in dealings with the "cooperative employer" and as a way of avoiding disruptions in essential public services.¹¹ Several of Commons' students investigated company unionism in action and found both good and bad examples. The judgment turned on the extent to which the company union provided a communication mechanism for the workers—the bad where it was simply a diversionary action against workers' interests in free unionism.¹² Benjamin Selekman, in a field study of one of the most famous of the company unions (Colorado Fuel and Iron) concluded that the company union served a limited purpose in an industry otherwise barren of workers' representation. But otherwise he found it defective in the employees' unwillingness to bring their grievances freely to it.¹³ Paul Douglas found no merit at all in the company union as a representative mechanism for workers because of employer control and the absence of inter-union liaison and supporting legislative activity. The free union could, however, adapt with profit the shop committee machinery as a means of interpreting the labor agreement.¹⁴

Frank Tannenbaum saw a syndicalist potential in the labor move-

¹⁰ Isaac A. Hourwich, *Immigration and Labor* (New York: Putnam's Sons, 1912); Frank T. Carlton, *The History and Problems of Organized Labor* (Boston: Heath, 1911); William M. Leiserson, *Adjusting Immigrant and Industry* (New York: Harper, 1924).

¹¹ Henry R. Seager, "Company Unions vs. Trade Unions," in *Labor and Other Economic Essays*, Charles A. Gulick, ed. (New York: Harper, 1931).

¹² Jennie McMullin Turner, "Health and Happiness," in John R. Commons, *Industrial Government* (New York: MacMillan, 1921); O. F. Carpenter, "Shop Committee That Failed," in *Industrial Government*, loc. cit.

¹³ Ben M. Selekman, *Employees' Representation in Steel Works* (New York: Russell Sage Foundation, 1924).

¹⁴ Paul H. Douglas, "Shop Committees: Substitute for, or Supplement to, Trade Unions," *Journal of Political Economy* (XXIX, 1921), reprinted in Paul H. Douglas, Curtice N. Hitchcock, and Willard E. Atkins, *The Worker in Modern Economic Society* (Chicago: University of Chicago Press, 1925).

ment.¹⁵ The district council, the industrial union, and the national federation could be the seeds out of which their counterparts as workers' parliaments would emerge. Michels' thesis, the inevitable drift from democracy to oligarchy as the need for full-time leadership grew, was applied by Sylvia Kopald to the trade union.¹⁶

Thus stands what might be called the "classical" tradition in the study of trade union government. I think the classical tradition ends with the union reawakening of the early 1930's. And although there were many differences among the participants in the tradition it had this in common: the concepts of trade union government were formulated from the standpoint of labor as underdog. It was understandable, then, that the earlier scholars tended to view the consequences of enlarged union authority optimistically. Whether written from the viewpoint of reformist socialism, say the Webbs, or from the viewpoint of left wing socialism or revolutionary syndicalism, say Tannenbaum, the possibility that the public interest could conceivably be endangered can hardly be heard.

III

With the labor movement's great push of the thirties and its awakening from the big sleep of normalcy the consequences of labor's government was examined more skeptically. Some of the themes of this period are new to the times. Others are reassessments of old themes.

The post-1933 themes in the study of union government I identify thus: (1) democracy in unions, (2) the effects of institutional aging, (3) the impact of various union forms on public policy, (4) the political science of trade unionism, (5) the union as an organization, (6) the enlargement of structure and jurisdiction, (7) the union member in the union, (8) job consciousness reevaluated.

The democracy theme has two variations: (a) union government and individual rights, and (b) union government as oligarchy. The main points of stress in the former are the inadequacies in the disciplinary procedure, particularly its susceptibility to use as an instrument for the enforcement of personal power by the in-leadership, the absence of independent review of appeals, and the obstacles in

¹⁵ Frank Tannenbaum, *The Labor Movement, Its Conservative Functions and Consequences* (New York: Putnam, 1921).

¹⁶ Sylvia Kopald, *Rebellion in Labor Unions* (New York: Boni & Liveright, 1924).

the way of opposition to the group in power.¹⁷ Oligarchy in the union is viewed variously. Some view it with apparent alarm for unionism as a movement. Others see no incompatibility between oligarchy and the appropriate discharge of the union function.¹⁸ A prominent consequence of institutional aging by the union is seen to be centralization of power in the national union and the loss of larger purpose by union leadership.¹⁹

The governmental forms which unionism takes are related to the economic effects of unionism on society. Some of the intersections between union government and the effects on the economy that have been asserted are: (1) craft unions are likely to have a more powerful inflationary force than industrial unions; (2) the disorganized wage structure is encouraged by the decentralization of the collective bargaining process; (3) unions including unskilled workers encourage a compressive effect on the wage structure; (4) centralized bargaining has a compressive effect on the wage structure; (5) restrictive admission policies of unions are obstacles in the way of labor mobility; (6) there is a relationship between the union as a monopoly and the prevalence of industrywide bargaining supported by powerful national unions. All of this is, of course, in addition to the stand that unionism and a free market system are inherently incompatible.²⁰

¹⁷ Joel Seidman, *Democracy in the Labor Movement*, New York State School of Industrial and Labor Relations, Cornell University, 1958; Clyde Summers, "Disciplinary Procedures of Unions," *Industrial and Labor Relations Review*, (IV, 1, 1950); Clyde Summers, "Disciplinary Powers of Unions," *Industrial and Labor Relations Review* (III, 1950); Benjamin Aaron, "The Labor Management Reporting and Disclosure Act of 1959," *Harvard Law Review* (March 1960); Archibald Cox, *Law and the National Labor Policy*, Los Angeles, Institute of Industrial Relations, University of California (1960); U. S. Congress, Senate, Select Committee on Improper Activities in the Labor or Management Field, Parts 1-58, 1957-1958-1959, Washington, D. C.; American Civil Liberties Union, *A Labor Union "Bill of Rights," Democracy in Labor Unions, the Kennedy-Ives Bill*, New York, 1958; Michael Harrington and Paul Jacobs, eds., *Labor in a Free Society*, Fund for the Republic (Berkeley and Los Angeles: University of California Press, 1959).

¹⁸ Will Herberg, "Bureaucracy and Democracy in Labor Unions," *Antioch Review* (September 1943); S. Lipset, M. Trow, and J. Coleman, *Union Democracy: The Inside Politics of ITU* (Glencoe: Free Press, 1956); Peter Magrath, "Democracy in Overalls," *Industrial and Labor Relations Review* (July 1959); Sumner Slichter, "The Position of Trade Unions in the American Economy," in *Labor in a Free Society*, op. cit.; Benjamin M. Selekman, "Trade Unions—Romance and Reality," *Harvard Business Review* (May-June, 1958).

¹⁹ Richard A. Lester, *As Unions Mature* (Princeton: Princeton University Press, 1958); Daniel Bell, "The Capitalism of the Proletariat? American Trade Unionism Today," *Encounter*, London, (February 1958).

²⁰ G. H. Hildebrand, "The Economic Effects of Unionism," in *A Decade of Industrial Relations Research*, op. cit.; Charles E. Lindblom, *Unions and Capitalism* (New Haven: Yale University Press, 1949).

The political science of trade unionism is reestablished in this period as a result of general and specific investigations. A general political study of American trade unionism on all union government levels was undertaken by Leiserson, but illness and death intervened to prevent fulfillment according to his original plans. Even so, his *American Trade Union Democracy* is the only work of this period that even looked toward a systematic treatment of the whole range of trade union government.²¹ The actual availability of a body of facts relating to union government in this period before Landrum-Griffin reporting is in large measure attributable to the researches of Philip Taft on elections, finances, judicial systems, the executive, and other aspects of union government.²² Arthur J. Goldberg's *AFL-CIO Labor United* is a legislative history and commentary on the government of the merged federations.²³ The work of Herbert Lahne²⁴ on "intermediate" bodies and sub-local units and of Arnold Weber on trusteeship²⁵ and craft representation in industrial unions²⁶ have called attention to deficiencies and at the same time enlarged our knowledge of these sectors of union government. The Bureau of Labor Statistics,²⁷ the National Industrial Conference Board,²⁸ and the McClellan investigation have also made major contributions to the facts—and in the case of the latter, the pathology of union government.

The nature of the union as an organization is explored in this period in a preliminary way. Bakke sets the stage, in a sense, for this discussion by noting the character of the union as something more than the sum of its members; a fact which entails an understanding

²¹ William M. Leiserson, *American Trade Union Democracy* (New York: Columbia, 1959).

²² Philip Taft, *The Structure and Government of Labor Unions* (Cambridge: Harvard University Press, 1954).

²³ Arthur J. Goldberg, *AFL-CIO Labor United* (New York: McGraw-Hill, 1956).

²⁴ Herbert J. Lahne and Joseph Kovner, "Shop Society and the Union," *Industrial and Labor Relations Review* (October 1953); Herbert Lahne, "The Intermediate Body in Collective Bargaining," *Industrial and Labor Relations Review* (January 1953).

²⁵ Arnold Weber, "Local Union Trusteeship and Public Policy," *Industrial and Labor Relations Review* (January 1961).

²⁶ See this volume.

²⁷ U. S. Bureau of Labor Statistics, *Handbook of American Trade Unions* Bull. 618, (Washington: Government Printing Office, 1936).

²⁸ National Industrial Conference Board, *Handbook of Union Government Structure and Procedures and Sourcebook of Union Government Structure and Procedures* (New York: NICB, 1955).

of the union's institutional needs.²⁹ For Moore the union theory of government is structured on disagreement, in contrast to the hierarchical administrative structure of corporate enterprise which is structured on agreement.³⁰ For Frank Tannenbaum the union is the natural protective organizational response to the atomism of the free market assumptions of political economy and employers.³¹ The union as a political institution rather than as a business enterprise selling labor is, for Ross, the more realistic model from which generalizations as to the economic effects of the unionism should proceed.³² The paraeconomic character of the union is also recognized by Boulding, for whom the union partakes something of the character of a state, a church, a lodge, and a cartel.³³

The scholarly discussion of structure and jurisdiction stresses (1) more descriptive typologies of structure,³⁴ (2) the decided trend toward broader and overlapping jurisdictions, (3) the proliferation of labor movement devices to adjust overlapping jurisdictions, and (4) the role of government agencies in setting the foundations of jurisdiction.³⁵

With respect to the ethnic factor the focus of attention gets shifted from the immigrant to the Negro worker, and to some degree the Latin American worker. The emphasis here is on the discriminatory practices of trade unions against Negro workers,³⁶ and to some extent on the union's political processes when ethnic groups become important in the union.³⁷ The popular discussion centers about the debate between the Negro trade union community and the AFL-CIO

²⁹ E. Wight Bakke, *Mutual Survival: The Goal of Unions and Management* (New Haven: Yale University Press, 1946).

³⁰ Wilbrt E. Moore, "Management and Union Organization: An Analytical Comparison," in *Research in Industrial Human Relations*, Conrad Arensberg, et al., eds. (New York: Harper, 1957).

³¹ Frank Tannenbaum, *A Philosophy of Labor* (New York: Knopf, 1951).

³² Arthur M. Ross, *Trade Union Wage Policy* (Berkeley: University of California, 1950).

³³ Kenneth E. Boulding, *The Organizational Revolution* (New York: Harper, 1953).

³⁴ David J. Saposs and Sol Davison, "Structure of A. F. of L. Unions," *Labor Relations Reporter*, Bureau of National Affairs (May 15, 1959).

³⁵ John T. Dunlop, "Structural Changes in the American Labor Movement and Industrial Relations System," in *Proceedings*, IRRA, 1956; Mark L. Kahn, "Contemporary Structural Changes in Organized Labor," in *Proceedings*, IRRA (1957); Ben Stephansky, "The Structure of the American Labor Movement," in *Interpreting the Labor Movement* (Madison: IRRA, 1952).

³⁶ Herbert R. Northrup, *Organized Labor and the Negro* (New York: Harper, 1944).

³⁷ Scott Greer, *Last Man In* (Glencoe: Free Press, 1959).

as to the degree of compulsion which the federation should enforce in guaranteeing Negro rights in affiliated unions. The theme of the interrelationships between ethnic groups and the trade union movement is explored as a general hypothesis and in respect to individual groups, notably the Jewish and Catholic influences.³⁸

The union as a government as observed in the attitudes of rank and file members is investigated in a large number of membership attitudes studies. The upshot of these studies as they relate to union government can be stated briefly. When the union member thinks of the union concretely he means the local union; the international is indistinct, and the central bodies almost non-existent. He thinks his union is democratic because the membership has the final say on issues that matter, and he believes too that his officers are doing a good job. Most union members do not want to be union officers because they think they lack the education and knowledge to do the job and because they have strong doubts about their resoluteness in talking back to management.³⁹

The capacity of Perlman's "job consciousness" to stimulate discussion continues unabated in this period. The discussion centers on whether job consciousness fits the facts of the reform-minded industrial unionism of the CIO type. Perlman holds to job consciousness as a valid interpretation of the labor movement in this period, declaring that although the "nuclear" interest has widened there is no sign of the labor movement breaking away from its "Gompersian moorings."⁴⁰ The critics question whether job consciousness is adequate to explain the more inclusive bonds of solidarity which, in fact, tie workers together. Job consciousness will not explain the ever-growing union power accumulation and utilization. Finally, there is a fundamental attack on the underlying psychological premise from which job consciousness stems.⁴¹

Commons' extension of markets theory as it applies to the national

³⁸ See *Labor's Grass Roots*, op. cit., Ch. 9.

³⁹ *Ibid.*, Ch. 10.

⁴⁰ Selig Perlman, "Labor and the New Deal in Historical Perspective," in *Labor and the New Deal*, Milton Derber and Edwin Young, eds. (Madison: University of Wisconsin Press, 1957).

⁴¹ Everett Kassalow in *A Theory of the Labor Movement*, IRRA Proceedings, (1950); J. B. S. Hardman in *Ibid.*; Charles A. Gulick and Melvin K. Bers, "Insight and Illusion in Perlman's Theory of the Labor Movement," *Industrial and Labor Relations Review* (July 1953); Philip Taft, "A Rereading of Selig Perlman's *A Theory of the Labor Movement*," *Industrial and Labor Relations Review* (October 1950).

union undergoes reexamination by Ulman.⁴² Ulman singles out the scarcity of labor as the critical fact—not market scope—in the triumph of the collective bargaining oriented national union over the contending politically oriented forms of union government. Ulman also enters the lists against Ware, finding that the decisive irritant in the Knights vs. trade union rivalry was the mixed district assembly and not the incompatibility of personalities. Enough time has now elapsed to revive interest as to whether the AFL vs. CIO conflict was fundamentally a craft vs. industrial union debate or whether transcending pressures of personal ambitions and the battle of the generations were not more basic to the schism.⁴³

IV

In this section I undertake briefly to give some voice to assorted personal crotchets about the current state of scholarly investigation in trade union government, as to subject matter, method, conceptualization, and temper. The subject matter omissions in the study of union government are (1) the sub-federations, i.e. the departments and the central bodies, (2) the intermediate bodies, (3) the steward system, (4) the government of railroad unions, (5) union leader biographies of scholarly and literary merit, (6) the techniques of democratic administration of unions, (7) the labor law in action as a source for the study of union government, and (8) a political science of unionism.

The defect in method has been the failure to investigate union government in action. This defect has been accompanied by an exaggerated use of attitudes surveys and other forms of naive quantification. The colossal output on democracy in unions has taken place without a commensurate degree of supporting research. For example, we do not now have, as far as I know, a first rate study centering on the government of a national union in action. The curious fact is that most of the research has dealt with local unions and most of the generalizations have dealt with the national unions.

As to conceptualization, the great lack, I think, is a consensus

⁴² Lloyd Ulman, *The Rise of the National Trade Union* (Cambridge: Harvard University, 1955).

⁴³ Philip Taft, *The A.F. of L. From the Death of Gompers* (New York: Harper, 1959); Walter Galenson, *The CIO Challenge to the AFL* (Cambridge: Harvard University, 1960); James O. Morris, *Conflict Within the AFL, 1901-1938* (Ithaca: Cornell University, 1958).

definition of democracy in a trade union context. There is, moreover, little awareness of the distinction between democracy and centralization. Nor is centralization examined as to whether representative mechanisms exist and the function by which centralized power becomes responsible to underlying constituencies.

In the early period the economists ruled the roost of labor studies. In the post-1933 period, and particularly after World War II, the interdisciplinary movement began and the IRRA is an institutional expression of that movement. I regret to say, though, that the quality of investigation does not seem to have improved as a result of the interaction of the several disciplines. All I see is simply the rendering of the same facts in different semantic systems. If I may hazard a guess as to the sources of the difficulty in the interdisciplinary performance, it is that the disciplines come to the study of unionism to validate some frame of reference or hypothesis which has honorific status within their parent discipline. So that, for example, a good deal of the work of the political scientist and the sociologist in the field of trade union government seems like a gigantic footnote to Max Weber or Robert Michels. The psychologist uses unionism as a vehicle to attain for him a more important objective—the technology of measurement.

The economist in this period has suffered from another sort of ill-subservience to fashion. He has permitted his scholarly interests to be excessively dominated by the issues in public controversy. Over-indulgence in current problems and attenuation of the "instinct of idle curiosity" have impaired the quality of the academic-scholarly performance in union-related research.

BLMR FILES AS A RESEARCH SOURCE

HERBERT J. LAHNE

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The passage of the Labor-Management Reporting and Disclosure Act has made available, for the first time in the history of the American labor movement, an unequalled source of data on the practices, procedures, fee structure, and financial operations of more than 50,000 unions. Reports of these labor organizations, which include national unions, local unions, and intermediate bodies, are submitted to the Bureau of Labor-Management Reports (BLMR) of the U. S. Department of Labor.

Among the reports filed with the Bureau are union financial reports, submitted annually, which cover every aspect of union finances. Another is the union information report, submitted in full once, but kept up-to-date by annual reports of changes. This report describes in detail the unions' policies and constitutional provisions in virtually all the important areas of union practices and procedures, ranging from qualifications for or restrictions on membership to issuance of work permits, and the detailing of dues and fees required of members. From this form alone, and its requirement for the submission of copies of the unions' constitution and bylaws, an unprecedented collection of union information is now available to the student and the public alike for the first time.

Additionally, the Act requires reports from employers who engage in certain types of activities in the labor-management field, and from labor relations "middlemen" and consultants. Reports concerning possible "conflicts of interest" among union officers and employees are required also, as well as reports of unions which are under a trusteeship imposed by a parent body.

The LMRDA specifies that these reports and documents be made available to the public for individual examination; however, the disclosure function of the Act depends, in large part, on intelligent collation, analysis, and evaluation of the data to the end that undesirable practices shall be eliminated and the desirable become the universal practice. Comparisons with other unions and the labor movement as a whole are helpful to the union member, the Congress, and the public to be able to consider the performance of any particular union. Intelligent action to correct abuses, for the formulation of

proper public policy, and for the fuller achievement of internal democracy in unions may well depend largely on the use made of the material in these reports.

The Secretary of Labor is specifically authorized by the Act to "use the information and data for statistical and research purposes, and compile and publish such studies, analyses, reports, and surveys based thereon as he may deem appropriate."

Primary responsibility for the collation and analysis of the data in the reports has been delegated to the BLMR. However, there are sound reasons for enlisting the aid of others in this work.

First is the matter of budgetary limitations. To analyze thoroughly the vast amount of data and information would require large funds, staff, and time. Of course, BLMR intends to do what analysis is possible within its budget, but if all the information contained in the reports is to be utilized within some reasonable time, the participation of researchers outside the Bureau will be necessary.

Second is the matter of outside evaluations and judgments. The Secretary of Labor is responsible for reporting on the operations of the BLMR, on the effects of the LMRDA, and for making recommendations on improvements in the Act or the methods of its enforcement. Naturally, the Bureau's own research efforts will provide a part of the base for what the Secretary may wish to say in these areas. As for the other part of the base, this will be provided, necessarily and desirably in a democracy, by the comments, evaluations, and opinions of those outside the government—students and scholars of the law and the labor movement and leaders in industry and unions. These detached, and even critical, analyses and evaluations, where based upon careful study and reflection, can be invaluable to all concerned with realizing the objectives of the LMRDA.

It is for these reasons, the BLMR welcomes and urges outside researchers to use the reports in its files. To the largest extent possible, the Bureau will cooperate with those who desire to work in this field. With the hope of not only stimulating the work, but of helping students to avoid duplicating the work of others, it plans to act as a catalyst and as a clearing house for this outside research. The Bureau, however, will not itself participate in any of these projects so that the independence of the researchers and of their evaluations will be insured. It should be made clear that to the extent that this work results in any publications, the persons respon-

sible should emphasize to the reader that the Bureau is not responsible for any evaluations or conclusions.

Reports submitted to the BLMR are filed in its national office in Washington, D. C. There has just been made available, also, in each of the Bureau's area offices the reports of all labor organizations and reporting individuals within its geographic area as well as the reports of the national unions which have subordinate bodies in the area. The *Register of Reporting Labor Organizations* will aid in the selection of unions and geographic area to be studied. Since the *Register* also carries the BLMR file number for each reporting organization, selection of the sample and finding the reports in the Washington and area office files is simplified.

In BLMR's first annual report some of the information from the *Labor Organization Information Report* has already been coded and published. In addition, a limited amount of data from the *Labor Organization Financial Report* filed for first reporting year will be published shortly. Compilation of similar financial information is planned for the second reporting year. It is hoped that a wider range of financial information will be compiled in future years, to the extent that funds are available.

Standard punch cards are being used to store the data for enumeration and tabulation. Information on the coding scheme and coding instructions for each type of report can be secured by writing directly to the Bureau, attention of Division of Research and Statistics. With a knowledge of the coding scheme and coding instructions, researchers may obtain from the Bureau, at cost, additional specific tabulations.

We may turn now from these general observations to a necessarily abbreviated commentary on some aspects of union operation which deserve but have had little exploration by American scholars and in which research is facilitated or made possible by the reports filed by the unions with BLMR.

Looking first at the *Labor Organization Financial Report*, there is the matter of union investment policies. There have been a few studies of this subject in gross terms and covering a limited number of unions. They generally have been critical of the unions for their insistence (now changing) upon extreme liquidity. Use of the BLMR reports can greatly extend the scope of such studies, not only because of the availability of the reports and their broad coverage, but because the uniform format of the reports greatly lessens difficulties of com-

parison. Because of the uniformity and coverage, we can now not only study investment policy *per se*, but the relationship of investment policy to different types of unions and to other related aspects of union policy. For example, do unions which keep their assets in extremely liquid form do so out of a past tradition of strikes which no longer fits the present situation at all realistically? Is there a relationship between degree of liquidity and the payment of fixed strike benefits as a constitutional right of the striking members? Do unions with similar strike policies and strike benefits have similar or different investment policies in regard to liquidity?

By combining the data in the financial reports and material in the *Labor Organization Information Report* it is apparent that there are many questions which can be studied in these sources. For example, what is the relationship between the number of officers (paid and unpaid) and membership size? Does this relationship differ between unions of different types? or because of different concepts of what the officers should do? If a union has a comparatively high ratio of members to officers does this mean that each officer has more to do? or that the officers have considerable professional and office staff support as compared to a union with a low member ratio and little staff support? Is there a relationship between the officer and staff structure and the pattern of collective bargaining in terms of the number of employers with which the union must deal and the employee locations which must be serviced? Is the relationship linear and direct—or simply haphazard? Looking backward at these ratios and factors, have the unions altered their officer structures as conditions changed or do they tend to stay in a fixed pattern past the time when objective conditions would seem to indicate a need for change?

What has been said so far illustrates the type of questions which can be researched with the help of the annual union financial report. Still to be considered are various questions in which the main source of data is the *Labor Organization Information Report* and the documents which the unions are required to file with this report and bring up-to-date annually.

The information report carries on its face, data in two important areas. First, it lists the union dues and fees under four main headings and, second, it lists the names of all union officers and their titles.

In the area of dues and fees we can ask at least the following questions. What relationship is there between the members' financial obligation to his union and his earnings? Does this relationship vary widely or only narrowly between different unions, and what factors account for the variation? size of union? type of union? presence of absence of fixed strike or other benefits? and so forth. Regardless of the relationship between dues and earnings, what accounts for the differences in the absolute financial obligation? For example, are locals which do their own bargaining and grievance handling likely to have higher dues than locals for whom these things are handled by some other body such as a joint board? Where the international gives its locals leeway in setting dues and fees, how much variation is there between locals of the same international? What factors account for the differences, e.g., the number of employers with whom the local must deal, the size of the local, the geographic and possibly the industrial dispersion of the membership?

In the area of the listing of the names and titles of union officers, there is much room for study of officer turnover. Not only can turnover of international officers be studied on a larger scale, but important aspects of the turnover of local union officers can be studied in greater detail. Thus, it has been generally assumed that the turnover of local officers is higher than that of international officers. This assumption has the support of every-day observation of students of unionism and of material appearing just incidentally in studies whose main focus was elsewhere. I suspect that close study would, in the main, prove the validity of the assumption, but here are some factors which are worth looking into. For example, the relationship between the age of the local and local officer turnover. Does turnover decrease with local age, so that the 25-year-old local has a turnover pattern which approaches that of the international and is vastly different from that of the 5- or 10-year-old local? Is turnover greater among unpaid officials than among paid officers? Is there a relationship between the turnover of paid officers and the salaries they get, either absolutely or as compared with the earnings of the membership which elects them?

Beyond the data on fees and the officer listings carried on the face of the information report, each union must submit a copy of its constitution and bylaws, updated annually if there have been any changes. The constitutions of the international unions have typically

been available but keeping such a file complete and up-to-date has required more than ordinary perseverance. When we drop below the level of the international, however, the problem of getting local and intermediate body constitutions, and of keeping them current is enormous if not undertaken as part of a reporting and disclosure requirement. The file of constitutions provides the base for the next series of questions I would like to raise.

Initially, and importantly of course, we have the question of how much constitutional change has been required by the provisions of the Act. Many (perhaps most) of the unions did not have time to change their constitutions prior to the submission of their first information report to the BLMR. Starting with these first constitution submissions and proceeding to the subsequent submissions, how much change has the LMRDA caused and what has been the nature of the change? Have the changes been essential and basic? or only in minor detail? Additionally, and especially in local unions where many procedures formerly never did find their way into the written constitution, do the new constitutional provisions represent a real change or merely a writing-down of well-established tradition?

These constitutions are, however, useful for much more than simply tracing the effects of the LMRDA. They provide an opportunity for large-scale studies of union structure and government—an area which has not had much attention in recent years. I will try to give some examples of what I have in mind—working downward from the top of the union structure.

There is first the question of what constitutes a national or international union. Textbooks usually slide over this question by stating that a national union is an organization with a number of local bodies, sometimes making brief reference to intermediate bodies, and let it go at that. The international is distinguished from the national only because one or more of its local bodies is in Canada. These writers have in mind, of course, the nationals and internationals affiliated with the AFL-CIO, the unaffiliated railroad brotherhoods and the unions which have been expelled from the AFL-CIO. Usually the unaffiliated unions, aside from those already mentioned, receive little notice, though some of them are not only larger but more widespread geographically than the small AFL-CIO affiliates which are unhesitatingly accepted as “national” unions. With the constitutions of all these unions now on file, there is certainly room for at least some

attempt at clarifying and perhaps redefining our concepts in this area.

Accepting as an "international" union a parent body with locals in many states and Canada, the common descriptions of structure already referred to are in many instances misleading. The simple line from international to local may well be the most common pattern, but it is far from universal. There are internationals with quite a complex structure between the international and the local level. Just by way of illustration, let us look at three internationals. In the Associated Actors and Artists of America we have the Actors' Equity Association, the American Federation of Television and Radio Artists, American Guild of Variety Artists, the Hebrew Actors Union, the Italian Actors Union, the Screen Actors Guild, and the Screen Extras Guild. In the Air Line Pilots Association we have the Air Carrier Mechanics Association, the Air Line Agents Association, the Society of Air Line Meteorologists, and (at least until recently) the Air Line Stewards and Stewardesses Association. And in the Seafarers' International Union we find the Atlantic, Gulf, Lakes and Inland Waters District (a recent amalgamation of several groups), the Inlandboatmen's Union of the Pacific, the Marine Cooks and Stewards' Union, the Pacific Coast Marine Firemen, Oilers, Watertenders and Wipers Association, the Sailors' Union of the Pacific, and possibly other groupings as well.

The relationship of these specialized subdivisions to the parent international is often quite difficult to define. With the subdivisions having locals or branches of their own, plus an authority to handle their own affairs which may be only poorly spelled out in the written law of the union, one may well wonder whether what has been usually accepted as an "international" might sensibly be considered in some other light.

Moving down now to the more conventional intermediate bodies there has been a great proliferation of these in recent years, as well as the development of new types of these bodies. The joint boards of the needle trades unions are, of course, well-known in the literature of unionism, but such bodies in other unions have had little attention not only to provide descriptive material but comparative analyses as well. Thus, in the United Auto Workers there are the corporation councils and sub-corporation councils; in the International Electrical, Radio, and Machine Workers and the United Elec-

trical, Radio and Machine Workers there are the conference boards, to name but a few of the intermediate structural bodies which have come on the scene. Some of these appear to be no more than sounding boards for the membership in the development of union policy in collective bargaining; in other unions they appear to play a pivotal role in the actual bargaining process; and in still others they may have, in addition to other roles, an important place in membership discipline, acting either as an appellate stage or the court of original jurisdiction.

Coming into the local level of union structure, again we have the text presenting an essentially simple picture—the local as the lowest structural form of union existence, a sort of single cell of union life. How accurate is this characterization? Even if it is basically sound, does it tell the whole story? There are many examples of a different type of local. There are locals which have variously-named subdivisions, such as branches, units, and so forth, whose authority to order their own affairs approaches or equals that of the local itself. These locals are not locals in the simple traditional sense. Rather they seem more like mere holding companies for their subdivisions, doing little more than providing a focal point for unity in a period of strife with the employer and providing a means of spreading housekeeping expenses over a greater number of members. In some respects, locals of this type would appear to resemble intermediate bodies of other unions, for there is some evidence that in an international which has this type of local there is little development of powerful joint boards or district councils, if the latter exist at all. Studies of these locals would seem to be indicated not only to expand our knowledge of union structure *per se*, but for the light they would throw on problems of internal union democracy. The development of subdivisions within locals was probably a result of attempts to satisfy, in some democratic fashion, separate interests within the local. Such separate interests can arise from dealing with different employers, from the employment of union members in different industries, from sheer local size, from geographic dispersion of centers of membership employment, and so forth. We know, for example, that there are locals with jurisdiction over an entire state and even over several states. What structures do such locals adopt to meet these obstacles to democratic operation when there is a wide diversity of interest and the “town meeting” concept of the local union is no longer feasible?

Presently we know very little about the variety of such arrangements, the mechanics of their development, the advantages and disadvantages of the different structures, or of the steps and experimentation which the locals went through before reaching their present form.¹

Coming finally to an area of union operations to which Congress devoted a great deal of interest, we have the trusteeship report. As you are aware, every parent organization which imposes a trusteeship on a subordinate organization must file an initial and then semi-annual reports with the Bureau detailing its reasons for establishing the trusteeship as well as other data.

Prior to the filing of these reports there was very little information on trusteeships—tracing them even in a single international required laborious and sometimes fruitless digging in convention proceedings and union journals. From the reports we now can explore questions such as the distribution of reasons for the trusteeship, differences between unions as to the reasons and frequency of imposition, duration and so forth.²

Additional questions of interest which can be answered after some lapse of time involve such matters as whether or not trusteeships will decline in frequency and duration and if these changes relate in any way to the Act. If there is a decline in frequency, for example, have the unions found other ways than trusteeship for disciplining their subordinate bodies?

Other reports which are available and may provide interesting research material include those submitted by employers, consultants, and union officers and employees. These reports are not susceptible to much statistical analysis, but they may still have some future research potential.

* * * *

In discussing and setting forth above some of the areas in which I believe there is room for research, and in referring to the use of BLMR files in such research, I do not want to leave the impressions that one only need look at the BLMR reports for the answers. To

¹ For an example of an initial research effort in this area, as well as some pertinent BLMR determinations, see Herbert J. Lahne, William Paschell, and Matthew A. Kessler, "The Local Union: A Regulatory Problem," *Labor Law Journal*, December 1961.

² An initial example of the use of these files is the article by Sar A. Levitan, "Union Trusteeships: The Federal Law and an Inventory," *Labor Law Journal*, December 1960.

make the material in the reports meaningful, aside from gross financial data, there will have to be field work and reference to the other usual sources such as convention proceedings, union journals and newspapers, union histories, and so forth. The BLMR reports do provide, however, an unprecedented source of raw material in the financial reports, the data on dues and fees, the listing of officers, and the union constitutions. Because research in union structure, finance and administration has lagged, there is much that we do not know about these important institutions, which may be far more complex than most of us think. In terms of not only pure knowledge, but in terms of a solid base of knowledge for wise legislation and better public understanding of unionism, I hope that this research area will have a better future.

CRAFT REPRESENTATION IN INDUSTRIAL UNIONS

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Over twenty-five years have passed since the American labor movement was split by the bitter controversy concerning the proper basis for organizing the mass producing industries. The rise of industrial unionism and the CIO is now a completed chapter of labor history. Similarly, the response of the craft unions to the CIO challenge has been recounted in some detail. Confronted with new and aggressive competitors, many of the old-time AFL unions modified their jurisdictional standards and proceeded to organize successfully large groups of workers on an industrial basis.¹ The structural division between craft and industrial unions was further narrowed by the formal merger of the two trade union centers in 1955.

Although the craft-industrial issue has lost much of its ideological quality, the problems of accommodating the interests of different occupational groups within the framework of trade unionism have persisted. Since 1935, however, these problems have arisen in a new context. As Dunlop has noted, the craft-industrial issue has been "turned inward" for resolution within particular unions.² What was once a question of inducing structural adjustments in the labor movement as a whole is now, in many cases, a matter of adapting internal union government to the demands of a heterogeneous constituency. In this respect, the burden of developing governmental mechanisms for reconciling the objects of craft and noncraft workers has fallen most heavily on those industrial unions that carried to fruition the concept of comprehensive employee organization.

This paper presents the preliminary findings of an investigation of the mechanisms for craft, or skilled trades, representation in

*I am indebted to David Taylor for his research assistance on this study.

¹ Walter Galenson, *The CIO Challenge to the AFL*, Cambridge: Harvard University Press, 1960.

² John Dunlop, "Structural Changes in the American Labor Movement and Industrial Relations System," *Proceedings of the Ninth Annual Convention of the IRRRA*, 1956, p. 26.

industrial unions.⁸ Primary emphasis is placed on developments at the international union level, although references are made to other elements of union structure where they are appropriate. The study encompasses twelve unions which together, comprise a broad cross-section of American industrial unionism.⁴

PATTERNS OF CRAFT REPRESENTATION

The basic function of trade union government is to establish a locus of decision making and internal administration that relates the various parts of the organization to each other. Within this framework, craft groups may exercise influence by exerting political pressure through existing channels or through special governmental arrangements that provide for explicit skilled trades involvement in union decision making. In practice, four patterns of craft representation in industrial unions may be distinguished that span the extremes of these two approaches.

First, craft groups may achieve representation by the aggressive utilization of established procedures for rank and file participation in union government. Typically, these include the election of officers and members of the appropriate bargaining committees, conventions, local union meetings, and related devices. No formal adjustments in the government are necessary beyond insuring that these procedures remain open and authoritative. In this manner, craftsmen are reported to play a prominent role in the government of several of the unions covered by this study. The tool and die makers historically have wielded considerable power within the UAW. Skilled tradesmen have

⁸ There is no general agreement on what constitutes a "craft" or "skilled trade." However, there is some agreement concerning the criteria to be applied to determine whether or not a particular occupation can be considered a craft. Definitions formulated by the Bureau of the Census, the Bureau of Employment Security, and the National Labor Relations Board emphasize several common traits in identifying a craft occupation. Thus, a craft involves a high degree of manual dexterity, the exercise of considerable independent judgment in carrying out prescribed operations, responsibility for a valuable product and equipment, and extensive preliminary training which may be incorporated in a formal apprenticeship program. For a discussion of the problems of defining a craft see, Herbert J. Lahne, "The Welder's Search for Craft Recognition," *Industrial and Labor Relations Review*, July, 1958, pp. 591-607.

⁴ The unions studied include the United Automobile Workers, the United Rubber Workers, the United Steel Workers, the United Packinghouse Workers, the Oil, Chemical and Atomic Workers, the Pulp, Sulphite and Paper Mill Workers, the International Chemical Workers, the Communications Workers, the Utility Workers, the International Union of Electrical Workers, the Transport Workers, and the Brewery Workers.

also risen to positions of importance at the international level in the Brewery Workers, the ICWU, the OCAW, and the CWA. The hegemony of the skilled tradesmen in the CWA has been facilitated by the fact that most of the "production workers" i.e. the telephone operators, are women, who usually defer to the sagacity of the male craftsmen.

As might be expected, the informal influence of craftsmen tends to increase where they comprise a relatively high proportion of the total union membership. In addition, the degree of skilled trades penetration into union government is likely to vary with the ease of access into the channels of decision making. For this reason, officials of almost every union indicate that craft workers invariably enjoy some *de facto* representation on local union governing bodies and bargaining committees. Such representation may also be achieved at the international level without undue difficulty if flexibility is preserved in the methods used. In the Packinghouse Workers, for example, skilled tradesmen have been able to exercise influence on national decision making through a procedure that permits each local to assign an unlimited number of delegates to serve on company-wide bargaining committees.⁵ Similarly, craft workers are reported to play a prominent role in the "goldfish bowl" negotiations between the Paper Mill Workers and the West Coast pulp and paper producers.⁶

Two checks operate to limit the effectiveness of craftsmen as craft representatives *per se* when they rise to positions of importance in a union. First, the decisions reached by the union officials, especially those involving collective bargaining issues, usually are subject to ratification by the total membership affected by the decision. The majority noncraft members cannot be expected to assent readily to decisions that favor the skilled trades to the disadvantage of other broad groups. Second, the same majority pressures come into play when officials with craft allegiances stand for re-election. If they

⁵ For a discussion of the UPWA procedures, see Ralph Helstein, "Collective Bargaining Structure in the Meat Packing Industry," in *The Structure of Collective Bargaining: Problems and Perspectives*, Arnold R. Weber (editor), Glencoe: The Free Press, 1961.

⁶ For a description of this procedure see Clark Kerr and Roger Randall, "Crown Zellerbach Corporation and the Pacific Coast Pulp and Paper Industry," *Causes of Industrial Peace*, Case Study No. 1, National Planning Association, 1948, pp. 48-49. The Paper Mill Workers act jointly with the Brotherhood of Paper Makers, who are now part of the United Papermakers and Paper Workers.

have served a narrow skilled trades constituency, they are likely to be turned out of office by the aroused noncraft membership.

The limitations of informal methods have given rise to the development of special devices for craft representation in several industrial unions. An important adjustment in this direction has been the establishment of Skilled Trades "Committees" or "Departments." These units generally function as appendages to the primary structure of union government. They do not afford craftsmen the right of self-determination nor do they constitute agencies for direct craft participation in union decision making. Instead, they serve as organized political blocs and formal channels for the communication of craft interests at each level of the international union. Skilled Trade Departments have been instituted in the UAW, the URW, and the IUE. They may also be identified in a rudimentary form in the OCAW and the CWA.

In each case, the Skilled Trades Department has evolved through a provisional phase before emerging as a full-fledged structural unit. Generally, it is established on an *ad hoc* basis in response to a convention resolution. This event took place in 1942 in the UAW, 1949 in the IUE, and 1954 in the URW. At this stage, the administration of the affairs of the department is usually an auxiliary responsibility of an international officer or field representative. Dissatisfaction with these makeshift arrangements has evoked demands to reconstitute the department on a permanent, operational basis. Once this transformation is achieved, the parallel organization of craftsmen may be carried out at other levels of the international union. Thus, the Skilled Trades Departments in the IUE and URW have actively promoted the formation of local and district skilled trade committees. This structure of craft representation ultimately converges at some periodic national convention or conference. Between conventions, a committee analogous to an Executive Board may be charged with overseeing the activities of the department.

Notwithstanding the elegance of its structure, the relationship of a Skilled Trades Department to policy making by the international is typically indirect and uncertain. As a rule, the role of the department is limited to offering recommendations to the various policy making bodies of the union. In the UAW and IUE, the director of the department does sit on the international Executive Board and may convey expressions of craft concern to other union officials. In the

UAW, the director is a Board member by virtue of his status as an elected vice president rather than in his role as the appointed head of the department. In this capacity, he represents a broad constituency and cannot be expected to act as an aggressive advocate of craft interests.⁷ Similarly, the chairman of the IUE Skilled Trades Committee attends the Executive Board meetings as a nonvoting participant. Because he is appointed by the president, the skilled tradesmen cannot make an exclusive claim to his loyalty. The same observation is applicable to the URW.

In practice, much of the Skilled Trades Departments' influence is aimed at the units concerned with formulating collective bargaining policy. Resolutions passed by the skilled trades conventions are transmitted to the appropriate wage policy committees or corporation-wide councils for action. For example, the URW skilled trades conference usually is held prior to the meeting of the International Wage Policy Committee, which determines that union's goals for the next bargaining round. Since these units may not provide for occupational representation, however, there is little assurance that the skilled trades' recommendations will enjoy any special priority.

The day-to-day operation of the Skilled Trades Department affords additional opportunities for the exercise of influence in the union, but these occasions have been limited in scope. In each case, the major activity of the department has been the administration of apprenticeship training programs. While such programs relate the department's activities to the local level, they generally do not involve situations in which craftsmen must protect their interests against the claims of competing groups. Moreover, ultimate control over the program usually resides with some superior agency in the union. In one case, the international Executive Board devoted considerable attention to determining standards for the inclusion of machinist classifications in the union's apprenticeship program.

Although the Skilled Trades Departments have established explicit channels of communications for craftsmen in industrial unions, they have not modified significantly the formal structure of union government. In addition, there is the possibility that these channels can be exploited more effectively for downward communication from the international to the craftsmen than in the opposite direction. In

⁷ The present director of the UAW Skilled Trades Department is Vice President Richard Gosser. He is also director of the Competitive Shops Department of the international union.

this respect, it is noteworthy that following the "skilled trades revolt" in 1955-56, UAW officials brought their program for expanded craft rights to the skilled trades convention for affirmation rather than giving that body the opportunity to act as an originating force. As a practical matter, the broad significance of the development of these departments appears to be that it creates the disposition and political apparatus for seeking more effective craft representation in the union.

Aside from the emergence of Skilled Trades Departments, other cases may be distinguished in which analogous devices are available for communication between craft workers and policy making units in the union. Although these devices have not been designated as craft instrumentalities, they have been implicitly recognized to serve this purpose. In the USW, for example, the Wage Inequities Committee has traditionally provided an avenue for the expression of craft discontent in the international union. This committee was set up in 1942 to negotiate a uniform wage structure first with U. S. Steel, and later with most of the major steel companies. It has continued to operate in the administration of the resultant CWS program. Over time, the committee has shown sensitivity to expressions of craft opinion, particularly in the area of wage differentials, and has induced the International Wage Policy Committee to press demands that protect the economic interests of the skilled tradesmen.⁸ Recently, a comparable development took place in the CWA when a "Job Structure" sub-committee was formed to study the "changing value relationships of jobs" and submit its findings to the top collective bargaining policy making agency in the international.

The third pattern of craft representation permits skilled tradesmen, as a distinctive group, to participate directly in union decision making. In this situation, craftsmen are assured a voice in the formulation and execution of policy. Moreover, the craft representative is now insulated from the pressures exerted by a diverse union electorate in which skilled tradesmen are usually a minority. Instead, he serves as a designated agent of craft interests.

Formal craft participation in union government may take two courses. First, skilled tradesmen may be given a place on general policy making bodies such as the Executive Board or Wage Policy Committee. Second, craft representation may be incorporated in

⁸ Jack Stieber, *The Steel Industry Wage Structure*, Cambridge: Harvard University Press, 1959; pp. 85-102, 224-227.

the structure of special devices for implementing collective bargaining. On the first count, none of the unions included in this study provided for explicit skilled trades representation on the international Executive Board or other top union agencies. Efforts have been made to place a craftsman on the Wage Policy Committees of the URW and the USW, but they have not been successful to date.⁹

The development of formal craft representation has been most apparent in the intermediate units that have been established to carry out collective bargaining in particular companies. In 1957, the Ford National Council of the UAW amended its by-laws so that a "skilled trades representative who must meet the journeyman qualifications of the international union" was assured a position on the National Negotiating Committee for that firm. In General Motors, the adjustment was more pronounced when, as part of a broad reorganization of the National Council, two sub-councils were created specifically for skilled tradesmen. These units provide the basis for craft representation on the National Committee of the full council which, among other functions, serves as the union negotiating committee.¹⁰ Comparable measures have been taken by the IUE to give craft groups a recognized spokesman on the National Negotiating Committees of the General Electric and General Motors Conference Boards. The UPWA also adopted this approach by requesting each local in the Armour Company to select at least one "mechanical" representative to the "chain bargaining committee" for the 1956 round of negotiations.

Formal craft participation in industrial union government has been further advanced in the Brewery Workers and the Paper Mill Workers by the practice of chartering separate local unions for certain categories of skilled tradesmen. By this one step, the international unions involved have assured craftsmen of separate representation at conventions and in the special units created to carry out collective bargaining. In both cases, the creation of separate locals for crafts-

⁹ *Proceedings of the 21st Convention of the URCL&P*, 1958, pp. 53-59, 75-82; *Proceedings of the Tenth Convention of the USWA*, 1960, pp. 369-71. The resolution calling for separate representation of craftsmen on the USW Wage Policy Committee was referred to the Executive Board for consideration. The Board subsequently deferred final action until 1962. See *Steel Labor*, August, 1961.

¹⁰ Muriel Beach, *The Problems of the Skilled Worker in an Industrial Union: The UAW Case*, unpublished Master's thesis, New York State School of Industrial and Labor Relations, June, 1959, pp. 135-138. This excellent study gives a detailed account of the "skilled trades revolt" in the UAW.

men reflected historical considerations. That is, early in its history, the Brewery Workers adopted the policy of setting up individual locals for brewers on a multifirm, city-wide basis. Other locals were chartered for members in the bottling and delivery departments as a matter of course. Separate units have also been formed for maintenance and powerhouse groups in cities where they are organized by the international in sufficient numbers.¹¹ Where they exist, these separate departmental locals are required to act together in collective bargaining through a Joint Local Executive Board comprised of representatives from each affiliate.

In the Paper Mill Workers, the recent policy of chartering separate locals for maintenance craftsmen was a natural consequence of the international's long-standing collaboration in collective bargaining with the Brotherhood of Paper Makers, who have jurisdiction over the skilled paper machine operators. Separate locals for maintenance craftsmen have been established for newly organized bargaining units and by the fragmentation of existing locals. No intermediate bodies have been created to coordinate the activities of the different locals with members in the same mill or company, but the affiliates do bargain through a joint negotiating committee.

The creation of structural divisions between skilled tradesmen and other union members has also been used as a method for extending representation to craft groups in the Transport Workers Union. The most striking adjustment of this nature has been in Local 100. This local represents about 30,000 workers on the New York City transit system and has many of the characteristics of a national union. Following an epic series of wildcat strikes by the subway motormen, TWU leaders agreed to a revision of Local 100's constitution that gives particular craft groups representation in virtually every aspect of union government. The local's jurisdiction is divided into "branches" that parallel the different operating companies in the New York Transit System. One of the branches is comprised of employees of the Transit Authority, the agency that operates the city-owned subways and bus lines. This branch, in turn, is divided into seven "divisions." Two of the seven divisions are founded on occupational distinctions and include conductors and towermen and subway motormen. Each "division" then elects its own officers,

¹¹ This was not done in all cities. Single locals with comprehensive jurisdictions were established in Milwaukee, Baltimore, and some other cities.

holds separate meetings and generally functions as a semi-autonomous group within the local. In addition, the division enjoys proportional representation on the local union Executive Board, Contract Policy Committee, and negotiating committee, leaving few activities in which the craftsmen are not directly involved.

It is clear that these formal arrangements for craft participation have given skilled tradesmen a degree of independent status within the relevant industrial unions. Nonetheless, there are still real limits to the influence they can exercise in union decision making. That is, the skilled trades representative continues to be a minority participant in those units that make decisions affecting craft aspirations. An additional check on craft independence is posed by the ratification procedure for decisions in vital areas such as collective bargaining. In every case investigated, the final approval of the contract remains with the total membership covered by the agreement. Consequently, the adjustments discussed above may presage demands for expanded rights of self-determination.

Attainment of the right of self-determination by skilled trade groups represents the most extreme adjustment by industrial unions to the problem of craft representation. Actually, three aspects of this autonomy should be differentiated. First, craftsmen may be given wide latitude in the conduct of internal union affairs. Second, the right of self-determination may extend to the approval or disapproval of collective bargaining agreements. And last, skilled trade groups may autonomously exercise the right to strike. The first variety of self-determination already has been indicated to exist in the Brewery Workers, the Paper Mill Workers, and the Transport Workers as a result of the establishment of separate craft locals or "divisions" within local unions. The more critical aspects of craft autonomy for industrial union behavior, however, relate to the last two categories of self-determination. In this respect, the appropriate adjustments have been made only in the Brewery Workers and the UAW.

The limited right of autonomy was first extended to craft groups in the Brewery Workers in 1948. At that time, the convention affirmed a resolution giving departmental locals operating in Joint Local Executive Boards the option of rejecting or accepting contract provisions that affected members in the individual departments.¹¹

¹¹ *Proceedings of the 30th Convention of the UBFCSD & DW of A*, 1948, Resolution No. 37.

The right of self-determination was restricted to contract terms concerning working conditions, rather than wages, and did not extend to the calling of strikes. In addition, the granting of autonomy to departmental groups was controlled by the Joint Board so that it was still possible for a majority to thwart the desire of a single group to exercise self-determination in collective bargaining. For this reason, the brewers, in particular, supported a constitutional amendment giving the international Executive Board the power to "vary or dispense with" the ratification procedures laid down by the Joint Local Boards. The amendment was approved and under this provision, a departmental or craft local that is denied the right of self-determination in collective bargaining can appeal to the international for remedial action.¹²

The skilled trades amendments to the UAW constitution involve the furthest extension of craft autonomy in any of the unions studied. They were enacted in 1957 over the objections of a minority report that assailed the changes as a "step backward."¹³ As in the Brewery Workers, the UAW amendments give craftsmen the right to vote separately on those contract provisions that relate exclusively to the skilled tradesmen.¹⁴ Moreover, the Auto Workers also expanded the right of craft self-determination to include strike votes as well.¹⁵ On the other hand, the practical implications of the exercise of these rights for union strategy and solidarity are so far-reaching that they can only be implemented with the prior approval of the international Executive Board.

CONCLUSIONS

The sample of industrial unions studied reveals considerable variation in the mechanisms for craft representation. Five of the unions—the Utility Workers, Chemical Workers, Packinghouse Workers, Steelworkers, and Oil Workers—have made no formal adjustments in government to give skilled tradesmen a voice in the formulation and implementation of policy. Instead, they have relied on existing

¹² *Proceedings of the 34th Convention of the UBFCSD & DW of A*, 1956, p. 122.

¹³ *Proceedings of the Sixteenth Convention of the UAW*, 1957, pp. 272-304.

¹⁴ Article 19, Section 3 of the UAW constitution. Another parallel to the Brewery Workers case is that the same right of self-determination was also extended to "production workers, officer workers, engineers, and technicians." These distinctions follow the "departmental" separations used by the Brewery Workers.

¹⁵ Article 49, Section 1, UAW Constitution.

channels for general rank and file participation in union decision making. Although a consideration of the factors affecting the establishment of special procedures for craft representation requires detailed investigation, it is significant that four of the five unions noted above had the highest proportion of craftsmen of the twelve unions included in the study. Clearly, there is little support for the contention that the creation of machinery for craft representation will be directly related to the numerical strength of this group in each union. It appears that when craftsmen comprise about one-third or more of the industry blue collar work force they may be able to utilize conventional avenues of influence effectively enough to obviate the need for more explicit devices.

On the other hand, the initiation of formal machinery for craft representation does not necessarily involve a basic revision of political relationships in the union. Indeed, some of these mechanisms may reduce craft influence. Thus, the Skilled Trades Department typically operates under the firm control of the international officers. In addition, there is the real possibility that the practice of segregating the skilled tradesmen in separate locals may actually weaken this group's influence because craftsmen no longer have the opportunity to dominate the production workers through disciplined political activity in the comprehensive local.

The most significant change in union government takes place when craft groups obtain the right of self-determination, albeit limited, in key substantive areas like collective bargaining. Under this arrangement, the structure of the bargaining unit is altered by creating new decision making units within the union. In this sense, the extension of craft autonomy may be viewed as a modified application of the "Globe doctrine" to union government. Only now the right of self-determination is controlled by the union Executive Board instead of the National Labor Relations Board. While industrial unions have resisted the application of this principle on the legal front, a few have been willing to recognize it on their own terms. As pragmatic institutions, they may be required to make concessions to special groups in order to preserve the broad worker alliance upon which industrial unionism is founded.

DISCUSSION

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In a session on union government, whose title also refers to Landrum-Griffin and involving papers by well-known scholars, one might expect an extensive discussion of the consequences of the Act. That two of the papers do not even mention the Act suggests that their authors consider that it has only minor significance as applied to this subject.

If the papers had sought to appraise Landrum-Griffin they might well have started with the purposes that motivated its prime sponsors. Unfortunately the Bureau of Labor Management Reports has not yet given us a "legislative history." When it does and when the scholars have studied it, I expect that they will conclude that the intention to "get Hoffa" has been no more successful than the earlier effort to "get Lewis." Nor has there been much success in "redressing the balance." Nor can much yet be attributed to the effort to "cure corruption," whether by legal and administrative action or by the revolt of the membership. Nor has there been much "success" in "reducing the power of the labor bosses." Thus, the implication behind these three papers may well be valid: that the only significance of Landrum-Griffin in affecting union government is that it is providing data for the scholars to study.

I insert here two supplementary notes. Such sweeping generalizations are not really surprising because the ceremonial actions stimulated by the McClellan hearings and carried through first by Congress and now by the administration really perform a greater function in satisfying constituencies than in changing the union processes. In the second place, it is always possible that these sweeping generalizations will be denied as the administration and particularly as the courts begin to elaborate and possibly to rewrite legislative rules.

The Lahne paper quite properly notes that a great deal more material is now available on the formal structure and formal rules of union units than we have ever had before. The pioneering analyses of Taft and others can now be supplemented and perhaps importantly modified. In addition, it will be possible to relate these formal rules to a wide variety of other variables of the kind that Lahne suggests. These data may be particularly important as a way of developing a

more refined sample for intensive study. Finally, these data, particularly when decentralization has been accomplished, will give to many mature and beginning students the preliminary leads toward studies that go beyond the formal data.

The Lahne paper, however, speaks only too mildly of the limitations of these data. Even the other two papers only generally imply the range of additional data and analysis necessary for the adequate study of "union government."

As my colleague Karsh suggested in an earlier session, the decision-making process within unions needs to be separately analyzed on the basis of different kinds of decisions. The process of "internal government" is one kind of decision and it is only about this that the report data relates. In addition, there is the whole process of collective bargaining decisions. And there are numerous other categories of decisions such as those that relate to the administration of welfare funds, to the public posture of the union, to its political activities, and to numerous others. When the process of decision-making is studied for any one of the above categories, there need to be such classifications as: information development and communication; definitions and compromises of issues; controls over the decision-makers and controls exercised by the decision-makers; membership involvement; and several other such items. Simply to list such elements as parts of the necessary framework for studying "union government" suggests the serious limitations of the union report data.

Weber's paper is clear, neat, and informative. It is a helpful study of what he refers to as the "mechanisms of representation." Even for his stated purpose, however, his analysis would be even sharper if he distinguished between the bargaining structure and "internal government" structure. As suggested above, however, even Weber's paper deals less than adequately with the dynamics of decision-making involving craft interests. Incidentally, if the latter were his purpose, he might well have used political science's concept of "interests."

I would add an additional note here. The problem of the representation of minority interests is particularly dramatic in relation to crafts as Weber has indicated, but it is not confined to this group. Within union government are many other identifiable and frequently dynamic minorities such as Negroes, women, young or old, employees of a single corporation, "competitive shops," "fabricators," nationality groups, and numerous others.

The Barbash paper is too discursive to be sure of its central point. I do not accept his incidental plea that the field be returned to the labor economist. On the contrary, brilliant though his paper is, it suggests to me that we need more rather than less involvement, in this case, of the political scientists and sociologists interested in complex organizations when we analyze "union government." Indeed, I think he misses the interdisciplinary point. Obviously the labor economist is not an economist in any conventional sense. He is dealing with a problem area and he needs to draw on the methodology, concepts, theories, and even the questions of numerous disciplinarians, including the economist, to the extent they are relevant. If some psychologist, for example, uses material in "our field" to ask questions in which we are not interested, this should not blind us to our scholarly needs.

To classify studies as before and after a watershed of 1933 has its uses. The differences between the earlier and later studies are surely less a matter of changing scholarly purposes and more a matter of changes in both the movement and the environment, as Barbash recognizes. In this context it is less surprising that there are differences between the earlier and later period. It is more surprising and rather disappointing that the Barbash summaries run so closely together. Part of the explanation, I suggest, is that the Barbash paper fails to cover the range of problems and approaches of the later period. In part, however, the too close parallel suggests there is much yet to do in the study of union government.

PETER HENLE

Bureau of Labor Statistics

Trade union government is an important topic for the IRRA to consider. Unfortunately, although these three papers provide much valuable information about the writings in the field and the materials available for study, they do not reveal very much about union government itself.

Barbash has performed heroic service in surveying the literature covering union government. I have no quarrel with any of his interpretations; I just want to record a personal judgment that it would have been preferable had he chosen a more limited definition of union

government which would have allowed him to explore the subject in greater depth. In other words, I would have preferred more Barbash and less of the table hopping that Jack did from topic to topic and from commentator to commentator.

Moreover, I was troubled by the distinction he made between the comments of writers before and after 1932. It is certainly true that the early thirties marked a change in trade union growth, structure, and attitudes. However, it doesn't seem to me that this division carries over to the writings about trade unions or about trade union government. The switch that Barbash calls attention to is a shift in attitude from viewing unions "as underdog, as disadvantaged group" to looking at unions "with a more skeptical eye." Such a shift undoubtedly has occurred as unions became larger and more able to fend for themselves, but I would certainly not place it anywhere near the year 1932. Rather it seems to me this change was much slower in coming, and it was really not until after World War II that commentators who were regarded as generally sympathetic to unions began to look at them "with a more skeptical eye" by raising questions about union democracy and the rights of union members.

Barbash points out the great void of research in the field of union government. Arnold Weber's paper makes a real contribution by examining a rather narrow but stimulating issue, how active craft groups have been accommodated within the government of an industrial union. Perhaps the most interesting point in this very useful piece is his comment that craft groups do not need and are not interested in any special protection if they constitute a respectable minority of the union membership. In his words, "It appears that when craftsmen comprise about one-third or more of the industry blue collar work force, they may be able to utilize conventional avenues of influence effectively enough to obviate the need for more explicit devices." If the craftsmen can get along as a one-third minority, this would seem to confirm a notion which I have considered worth exploring but have never found documented; namely, that much of the vigor and leadership of industrial unions has come from its more highly skilled members.

Herb Lahne has certainly provided a clear outline of the data which his bureau is collecting under the Labor-Management Reporting and Disclosure Act. He raises a number of provocative questions which he hopes researchers outside the Government will help to answer.

The one question researchers can't answer is this: what is the role of the Government with regard to this material? Is it simply one of collecting the data and making it available to the public? Does the Government itself have any obligation to analyze incoming materials and to attempt at least some tentative answers to the questions Lahne raises?

Some of the questions to be studied involve issues of public policy. It takes no great prophet to foretell that a coming legislative issue is the question of union monopoly legislation. Many forceful voices have argued that unions should be brought within the purview of antitrust legislation or that new restrictions should be placed on union organizations or collective bargaining. In judging the merit of such proposals, it seems sensible to suggest that the Government, as well as private researchers, should be analyzing such subjects as: the extent and distribution of union membership among various unions; the extent and distribution of union finances; the extent of union investments; union constitutional provisions dealing with the rights of union members; and turnover among union officials. Considerable light on each of these issues can be afforded through an analysis of materials which are being submitted to the Bureau of Labor-Management Reports. While it will be very useful for the Government to have the opinions of outsiders on these issues, it would also seem logical for the Government to make certain that the new evidence is fully utilized for public policy purposes.

Considering these papers as a group, they reminded me once again of the pragmatism and adaptability of American trade unions and American trade union government. I think this can be illustrated by each of the papers that have been presented.

For example, Lahne spends most of his time indicating problems that can be illuminated through the use of materials filed under the Landrum-Griffin law. He chooses one example to illustrate the point he is making. That example is the many different types of union organizations that exist other than those at the national or local level. What a wide variety there are—the divisions of the Actors and Artists, the various types of units under the Seafarers, the joint boards of the clothing unions, and the corporation councils of the industrial unions. The important point is that each intermediate level unit has developed in its own individual way to meet the demands of the union's collective bargaining situation and the attitudes of the union members.

Weber's paper carries out this same theme. Many of us remember the intensity with which the battle for industrial unionism was fought in the 1930's. Many of these unions were still fighting for recognition during the 1940's. Is it possible that only 15 years later that these same unions are now making special provisions for the interest and needs of the maintenance mechanics in their membership? And doing it in many cases by setting up a new department carrying the banner of the "skilled trades."

Now it is true that in some cases the establishment of such a department may be taken halfheartedly or represent an effort simply to channelize discontent. However, in other cases the unions have gone much further and given their skilled members greater autonomy to operate their own affairs, including negotiating their own collective bargaining contracts. The point here is that industrial unionism did not eliminate problems of craft identification, occupational wage differentials, or training programs, all of which are very real union issues wherever skilled workers are found. But a more theoretically inclined industrial union might have torn itself apart rather than face the consequence of accommodating the craft group. This has not happened even in a single instance.

Barbash's paper, too, is a reminder of the variety of trade union government and experience. The many different explanations of and attitudes toward trade union government obviously reflect the many different ways union government has operated under different circumstances and at different times in history.

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The papers by Drs. Lahne and Weber, although about quite different aspects of trade union government, have much in common. They are both factual, instructive and non-controversial. This means that they are difficult to comment upon, and therefore anything that I have to say about them will be a sort of unnecessary lily-gilding. I shall devote a few paragraphs to Professor Barbash's contribution at the close. In so far as the Lahne paper is concerned, the main importance seems to me to be that he is calling attention to a rich source of material on trade union government which should shed much light

on our knowledge of the unions as an institution. Moreover, Dr. Lahne goes further, and thus enriches his contribution by calling attention to particular areas where the Landrum-Griffin files might serve to test existing hypotheses, to develop new ones, or to challenge preconceived notions about union structure and government. If Dr. Lahne's ideas and findings can reach legislators, as well as scholars, these files will be of great value indeed.

Let me note just one aspect of trade union government which Dr. Lahne believes will be better understood as a result of his Bureau's files and reports. I refer to the intermediate union bodies. Some years ago, Professor John Dunlop, and today Jack Barbash, called attention to the increasing importance and growth of these bodies. Their role is neither well defined, nor appreciated. I suggest that future research will find that most of these intermediate bodies are designed by international union officials as control bodies. They bring together and coordinate local unions which have something in common—, for example a common bargaining adversary or industry. The act of coordination is, however, basically an act of control, permitting maximum leadership and pressure from the international officers and staff, and in many cases completely nullifying the wishes of the membership as expressed through the local unions. Of course, there is a risk involved for the international officers. Strong intermediate body leadership can, and has, not only taken the intermediate body away from international officers, but threatened the rule of the international officers themselves.

Mr. Weber's paper is essentially a study of intermediate union government designed to control the aspirations of a special group—the crafts within an industrial union. Creation of special departments for skilled groups is viewed by Dr. Weber primarily as a vehicle for granting representation rights to those with a special interest or competence. Only in the last page of his paper does he recognize and then not completely explicitly, why these representation rights have been granted—the industrial unions have been forced to make concessions to the philosophy of the National Labor Relations Act to the effect that the worker, not the union, determines what union, if any, shall be his representative at the bargaining table. The impact of rival unionism in the face of this national policy has forced the industrial unions to make concessions to the skilled employees within their ranks. The form of the concession, however, is usually worked out

to give tighter control to the national union, and thus acts to weaken the local unions without making any major concessions to the skilled groups except some type of pro forma representation.

The height of special skilled trade representation department creation appears from Dr. Weber's account to have come prior to the AFL-CIO merger. Perhaps his further research will reveal whether merger and lack of above-board competition for already organized groups has reduced the industrial unions' interest in creating special control groups for their skilled craft members.

I also hope that Dr. Weber does further research before generalizing. For example, despite outward manifestations of similarity, his description of the functions of the UAW skilled craft group differs markedly from what I have observed in the International Union of Electrical, Radio and Machine Workers. As far as I could determine, the skilled trades group in the latter union has had little power or function and its appointive head has served merely to give the international officers an additional voice in the affairs of various locals and intermediate bodies. It should also be noted, that the National Labor Relations Board has not historically protected the industrial union in the electrical products industry as it has done in automobiles. Hence companies like General Electric and Westinghouse have seen a fair number of their skilled employees join craft unions and secure bargaining rights. Even after the AFL-CIO merger, a group of skilled craftsmen at GE's Appliance Park complex in Louisville, Ky., bolted the IUE and won bargaining rights for an independent union, even though both General Electric and the IUE opposed a separate bargaining unit.

The situation in the electrical products manufacturing industry illustrates the importance of government policy on the formation of various aspects of union government, a fact not emphasized by Dr. Weber. The tendency of skilled crafts in this industry to seek separate representation—and to obtain it—may also be a function of the inadequate representation of the major union in this field. If it is possible to define criteria, further research could perhaps tell us whether separate representation by craft unions, or special status in a skilled trades department of an industrial union “pays off” better for the craftsmen working in an industry unionized primarily on an industrial basis. It may well be that, in either case, the bargain for the larger group is the determining factor, and the craftsmen are

largely dependent upon that for settlement, unless they can obtain general support for a better deal. In view of Professor Weber's excellent start, I am sure that he will soon have this and many other answers for us.

The paper by Professor Barbash, entitled "Concepts and Perspectives," is one in which I will find surprising agreement when history is the topic, but little to concur in where perspectives are concerned. I believe that this is because I do not accept his historical division at 1933. I suggest that he ignores another division—1947, or perhaps eight years later, the year of the merger. In any case, the labor movement of today, with its arthritic approach to national problems is certainly a different breed of cat from the crusading movement of the 1930's.

On the other hand, when Professor Barbash points up needs for future research, I am in agreement. His sense of history is good. I too, as much as I disagree with his philosophy of the labor movement, agree with his opinion of the interdisciplinary boys. A thorough reading of Commons, Hoxie and Perlman—and Millis and Montgomery too—should cause a lot of nonsense to be withdrawn from the "new discovery list." Likewise, I have yet to see the interdisciplinary group add up to a contribution equal to that of the late Professor Slichter. Barabash and I can disagree on a lot—but together we would like to fight it out on the economics line.

Part IV

**EMPLOYMENT PROBLEMS OF
RACIAL MINORITIES**

SOME FACTORS INFLUENCING UNION RACIAL PRACTICES

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The major purpose of this paper is to discuss some of the basic forces influencing union policies and practices with respect to Negroes.¹ The relations of unions and other minority groups are more limited geographically and are based mainly on language or religions and not on racial considerations. The Negro problem is more general, more intractable, and more important. Our purpose is less to describe union racial practices than to examine some forces causing them to be established, perpetuated, and changed.

UNION RACIAL PATTERNS

Three of the more important current union racial problems—exclusion of Negroes from membership, the maintenance of segregated locals, and union control of job opportunities—will be discussed in this section, after which will follow analyses of the effects on union racial practices of Southern opposition to equalitarian racial policies, labor market considerations, and legal pressures. The concluding statement will list some of the more important changes in union racial practices in the last thirty years.

EXCLUSION

In 1930, there were at least twenty-six international unions whose constitutions or rituals limited membership to whites; of these, twelve were unions that are now affiliated with the AFL-CIO, and eight of the others no longer exist. In 1961, only one union in the AFL-CIO, the Brotherhood of Locomotive Firemen (BLF), limited membership to whites by constitutional provision, and AFL-CIO President Meany assures us that the BLF will remove the color bar or be expelled from the federation. The other major unions with constitutional bars are the Order of Railroad Conductors (ORC) and the Brotherhood of Locomotive Engineers (BLE). Most of the unions with race bars in their constitutions dropped these restrictions immediately

¹This paper is based on my study of Union Racial Practices made for the Trade Union Project of the Fund for the Republic between 1958 and 1960.

after World War II when the Taft-Hartley and the various state Fair Employment Practice (FEP) laws were enacted, especially the New York law passed in 1945.

The formal union policies are usually not too important to an understanding of their practices, however, because of local variations from these policies. The BLF, which bars Negroes constitutionally, has Negro members, and long before the Machinists (IAM) eliminated the color bar from their ritual in 1948, some IAM locals admitted Negroes to membership. Likewise, some of the unions professing to have egalitarian racial policies have locals which practice discrimination.

The locals of some international unions, particularly in the building trades and on the railroads, bar Negroes by informal means. There are a variety of ways in which this can be done including: agreements not to sponsor Negroes for membership; refusal to admit Negroes into apprenticeship programs; refusals to accept applications from Negroes or simply ignoring those applications; general "understandings" to vote against Negroes if they are proposed (for example, three members of a Railroad Trainmen or Railway Clerks' lodge may bar an applicant for membership); using examinations to refuse them journeyman status which either are not given to whites or are rigged so that Negroes cannot pass them; and by exerting political pressure on governmental licensing agencies to see to it that Negroes fail the tests.

It is difficult to generalize about the unions which bar Negroes from membership. They are not restricted to any particular geographical area, because there are actually stronger bars against Negroes in some locals of the same unions in the non-South than in their counterparts in the South, particularly in trades like bricklayers, hodcarriers, common laborers, bartenders, waiters and service employees where Negroes have a long tradition in the South and are excluded in Northern or Western locals.

While some of the craft unions have had egalitarian racial policies and some industrial union locals have refused to admit Negroes to membership, as a general rule the unions which practice exclusion are craft organizations. The members of craft locals have the ability to exclude Negroes from membership and from the trade if they can control the labor supply. Industrial unions on the other hand are forced to organize workers hired by employers, while the craft unions

determine in many cases whom they hire. In addition, craft unions at the local level consider it to their advantage to exclude workers, while industrial unions consider it to their advantage to organize extensively.

However, these factors are not sufficient to identify the general character of excluding unions; other considerations include: because of the egalitarian trend in race relations, older unions, other things being equal, seem more likely to exclude minorities than newer unions; some unions were originally fraternal organizations at a time when it was not considered proper to have fraternal relations with Negroes; in many cases the employer determines the hiring policy and therefore decides whether Negroes are to be hired; whites are likely to attempt to exclude Negroes from certain status jobs like airline pilots, stock wranglers, locomotive engineers, white collar and supervisory jobs; and, in some cases, exclusion is directed against all except a particular nationality group, in which case Negroes are discriminated against along with all except members of the excluding group.

The forces which caused unions to abandon exclusion by formal means, or to adopt more subtle forms, included: expansion of Negro employment in jurisdictions covered by these unions, especially during World War II; competition between unions for Negro votes in representation elections; the embarrassment of exclusionist union leaders at conventions and in the press by criticism from Negro and white union leaders, especially the moral castigations from within the AFL by the Negro leaders of the Brotherhood of Sleeping Car Porters; action by such governmental agencies as the wartime and State FEP committees; and fear of the loss of exclusive bargaining rights, union shop provisions or other legal privileges under the Railway Labor Act or the Taft-Hartley Act. In the Machinists, Boilermakers and Railway Clerks' cases, for example, a pattern emerged whereby the excluding union would have Negroes in its jurisdiction organized directly by the AFL or some other union, an arrangement which proved unsatisfactory to the union (which could not collect dues) and the Negroes (who were inadequately represented); Negroes were consequently admitted to auxiliary locals controlled by white union leaders; the auxiliary local was then eroded by various legal pressures (court decisions, union shop amendment to the Railway Labor Act and union security provisions of the

Taft-Hartley Act) making it unlawful for the union to have union security provisions covering workers who were not accorded full membership privileges. There are thus many locals that bar Negroes by tacit consent, and there are national unions that permit the continuation of segregated locals, but there are today few auxiliary locals.

SEGREGATED LOCALS

While many Negro unionists favor segregated locals—which, unlike auxiliaries, are autonomous—this is a matter about which it is difficult to generalize. Intergration would cause some colored workers to lose control of their own affairs and subject them to discrimination by whites, who would usually be in the majority. On the other hand, many Negro union leaders not only consider segregation a symbol of racial inferiority, but argue that segregation weakens the labor movement by dividing Negro and white workers; these leaders also argue that segregation usually leads to job discrimination.

It is thus necessary to guard against the tendency to generalize from specific examples of Negro opposition to or support for segregated locals. Much depends upon the philosophies and experiences of the Negroes involved. For example, some Negro leaders of Carpenters locals in the South bitterly oppose segregation because colored workers have been unable to secure adequate employment through Negro locals. Other Negro workers—musicians and longshoremen—are not opposed to segregation because Negro locals have been strong enough to protect their jobs.

However, the attitudes of Negro and white workers have not been the only factors responsible for segregated locals. Other factors include: industry hiring practices which restrict Negroes to certain jobs; neighborhood segregation which causes locals to be established in Negro or white residential areas; and Southern state laws or local ordinances which prohibited integrated meetings.

While there are many segregated unions throughout the U.S., separate locals rarely have been established since World War II because they are considered by most union leaders to violate prevailing moral sentiment. Moreover, some unions—the American Federation of Musicians, the American Federation of Teachers, the National Association of Letter Carriers, the International Ladies' Garment Workers Union—have taken measures to abolish segregated locals.

However, to say that a local is "integrated" may not be very meaningful. An "integrated" local might be one with two or three Negro members who never participate other than by paying dues. These few Negroes might be janitors in the plant or they might have been admitted to the local or plant as "tokens" to "prove" the absence of discrimination. "Integration" might mean that Negroes are members of the industrial union, but, if they attend meetings, segregate themselves or are segregated by whites.

Finally, it should be noted that some unions—the International Association of Machinists, the International Longshoremen's Association, and the American Federation of Musicians—have overcome the opposition of Negro members to integration in specific local situations by assuring colored unionists official positions in the integrated units.

CONTROL OF JOB OPPORTUNITIES

Unions can influence job opportunities for Negroes by controlling entry into the labor market through job referral systems, apprenticeship programs, pressure on employers to hire or not to hire Negroes, and control of transfers, promotions, and lay-offs within plants.

Apprenticeship programs exist only in a minority of unions but are significant in controlling access to skilled jobs. In some cases apprenticeship training is the main way a minority youth can learn the trade because he is unable to pick up the skill, and armed forces or trade school training is usually inadequate; Negroes may be required to serve apprenticeships while whites may take tests; apprenticeship "screening," which often turns on subjective factors, may bar Negroes but not whites, either at entry or somewhere along the way.

The main way industrial unions affect job opportunities is through pressure on the employer to influence his hiring, transfer, promotion, and lay-off policies. Many employers are convinced that if they move Negroes into previously "white" occupations the white workers will strike, and there is sufficient historical precedent to validate this belief. Whether or not the workers strike is frequently determined by the employer's attitude and firmness, and the attitude of the international union; it is rarely possible for a group of rank-and-filers to block the employment of Negroes without the aid of either the employer or the international.

Some unions include non-discrimination clauses in contracts which

govern hiring. Other unions have them in some of their contracts mainly to control internal employment policies.

Many cases of racial discrimination involve separate racial lines of progression and the misapplication of seniority in promotions, transfers, and lay-offs. The particular scope of seniority to be applied is important. Negroes usually favor company-wide seniority in promotion and transfer as a means of breaking out of "Negro" jobs. Racially segregated lines of progression have been eliminated in many companies in the radio, petroleum refining, automobile, steel, aircraft, meat packing, electrical and other industries in the last ten years.

Unions might also affect the employment opportunities of minorities by promoting FEP legislation. Unions have provided the main financial and organizational support in many of the states for these laws; moreover, the AFL and the CIO promoted a federal FEP law and the AFL-CIO is on record in favor of such legislation. That unions provided great support for FEP laws and have been the respondents in some of the most difficult cases is not entirely paradoxical because there are many different kinds of unions and union members.

Unions have also been instrumental in causing the abolition of racial wage differentials, partly because the basic logic of the union must be the "common rule," but also because unions have sought to abolish racial wage differentials for moral reasons. Perhaps the most important agency for removing racial wage differentials was the War Labor Board, but key cases were brought by such unions as the Oil Workers International Union.²

SOUTHERN REACTION TO EQUALITARIAN MEASURES

The fear of Southern reaction to equalitarian racial policies has influenced unions with important membership blocs in the South. The AFL-CIO also has been concerned about opposition in the South because of the importance of organizing that region to the federation's economic and political objectives. The widespread use of racial arguments in Southern organizing campaigns had persuaded many union leaders that this was an important factor in their defeat in that region. More recently, however, some top leaders, like George Meany, have taken the position that the federation will do what it can to

²National War Labor Board, *Termination Reports*, Vol. I, Ch. 12, and Press Release, Office of War Information, Southeastern Region, June 9, 1945.

implement its racial program regardless of the impact on organizing in the South. This position is probably based on the realization that the use of racial arguments against unions has been exaggerated as a factor impeding union growth in the South. It is, for instance, difficult to demonstrate that the race factor has been very significant in situations that might otherwise have been organized.³

LABOR MARKET CONSIDERATIONS

Technological change has an important effect on the employment opportunities of minorities, who are concentrated disproportionately in those jobs most likely to be replaced by innovations. Sometimes the job is abolished by the introduction of new machinery and at other times it is made more attractive; Negroes have been replaced in both cases.

Racial trouble has frequently started when unemployment rises and whites start moving into jobs held by Negroes or senior Negroes are laid off while junior whites are retained. Unionism, while not causing Negroes to have equal treatment, might make it possible for them to get the same treatment in lay-offs as whites who have the same seniority because seniority clauses in union agreements give Negroes legal rights they would not have in the absence of unions.

Economic conditions also affect the pace at which Negroes can move up the economic ladder. If the labor market is slack and there are few opportunities for advancement, the results of changing the racial practices of unions and employers will be less significant. For instance, the effort exerted over a long period to change racial practices in the oil industry produced limited results because nontechnical employment in most companies declined after 1953 and few new employees have been hired or promoted. Though separate lines of progression were broken down in the major companies in this industry, only a few Negroes have moved into better jobs.

Negroes also have found that tight labor markets—such as exist during wars—make it easier for them to move into jobs from which they were previously excluded. It is true that Negroes generally have been the last to be committed to industrial employment during these times, and have been more vulnerable than whites to retrenchment during recessions, but it is nevertheless significant that Negroes were able to enter some jobs for the first time during wars. Once in

³ See Marshall, Ray, "Some Factors Influencing the Growth of Unions in the South," *IRRA Proceedings*, (December, 28-29, 1960) pp. 166-182.

these jobs, Negroes were in a position to fight from within unions and companies to improve their positions.

The ease or difficulty with which a trade may be learned and practiced is a significant consideration in changing union racial practices. If the trade is relatively easy to learn, or Negroes can learn it in trade schools, the armed forces, or by "picking it up," the union will have difficulty excluding Negroes or will be forced to lower its economic conditions. In the plumbing and electrical industries where apprenticeships are important, it is relatively difficult for Negroes to learn the trade because there are few colored craftsmen and whites will rarely take Negro apprentices or trainees if the admission of Negroes is opposed by the union. Trades where Negroes have difficulty becoming journeymen because of union exclusion or governmental licensing arrangements will therefore not have many Negro trainees. One of the reasons Negro bricklayers, cement finishers, and plasterers have been able to perpetuate themselves in the South is that there are a sizable number of Negroes who will teach the trade to others. Moreover, the techniques used in these trades are relatively stable, so that new methods cannot be monopolized by whites to exclude Negroes. Negroes were also allowed to retain some jobs which were difficult to perform or had other undesirable features.

Another labor market factor perpetuating racial job patterns is the employer's preference for white or Negro labor. This preference is influenced by stereotypes as to whether or not Negroes can do certain kinds of work, have higher rates of turnover, are subject to more wage garnishments, and the like. Negroes have been preferred by white contractors in the South for certain jobs which colored workers have traditionally held—like longshoremen, hodcarriers, and cement finishers. Employers sometimes preferred Negroes for the same jobs held by whites because Negroes had lower wages. In the past, Negroes moved into some jobs during strikes because employers thought colored workers would not join unions, a degree of preference which was intensified by Negro leaders who felt that the colored worker's economic salvation lay in an alliance with employers against unions. Today, many of the strongest Negro community institutions favor unions and exert their influence to prevent Negroes from being used as strikebreakers. Employers no longer feel that they can count on Negroes to be nonunion and the general extension of unionism

has made this attribute less important to the companies. Moreover, the virtual abolition of racial wage differentials for the same jobs has eliminated another reason why employers preferred Negroes.

Employer's preferences will also be affected by uncertainties as to the reaction of white workers, and the supply of Negroes who possess the necessary skills if they are boycotted by white craftsmen. Whether or not whites boycott an employer depends upon the availability of jobs and general market conditions. It will rarely be done in relatively stable industrial jobs; in construction work, on the other hand, it is a simple matter for workers to boycott a particular employer. In longshoring, Negroes can furnish enough workers to replace whites if the latter refuse to work with them, but there are not enough Negro electricians or plumbers to make this possible.

Supply of labor is related to the status of the job. In many cases, employers prefer Negroes because they are more easily controlled in low status occupations. Since a sufficiently large supply of whites cannot be found for some of these jobs, employers prefer Negroes who are forced by occupational limitations into these lines.

The scope of collective bargaining is a factor influencing the union's ability to discriminate against minorities. Organizations which have purely local bargaining arrangements are more likely to discriminate than those that use national bargains, because the national union is usually more conspicuous, making it relatively easy to bring moral pressure to bear on it. There have been some widely publicized cases of racial discrimination by local unions, but as a rule locals are too insignificant to attract national attention. The widely publicized cases attract attention precisely because the locals are impervious to moral pressures and there is usually no agency that can readily focus sufficient economic, physical, or political power on them to produce a change in their policies.

National bargains give the parent organization more power to deal with the local. Since nationals are more vulnerable to moral power, and since the prevailing moral sentiment in the United States is against discrimination, unions with national bargains will be more likely to cause their locals to conform with egalitarian racial policies.

The level of union wages in a plant covered by the national bargain influences the control that a national union can exert over its local affiliates. If union wages and conditions are much higher than prevailing wages in the local area, the international has more control

over the local. In the UAW Memphis case, for example, segregationist elements did not secede from the international, partly because of national contracts and good wages and conditions; some white members of the Memphis local considered pulling out of the international but were deterred by the realization that the international, not the local, was the certified bargaining agent.

Other factors which influence the international's ability to require its locals to observe equalitarian racial policies include: The effect of enforcement on the international's objectives as interpreted by its leaders and as it influences their official positions; whether the international has some reason to appeal to the Negro community, e.g., organizing a bloc of unorganized Negroes or Negro-labor political considerations; the available alternatives for the local, especially whether there is a rival union to which it can secede; the employer's attitude—the employer will be willing to cooperate with the international if he has some reason (government contracts, fear of boycotts) to oppose discrimination by the local; the size and political significance of the local involved; the dues structure and financial strength of the international and the constitutional provisions relating to the ownership of the local's property if it secedes; and the ease with which trusteeships can be imposed upon the local.

LEGAL PRESSURES

The basic law on union race relations grew out of the duty of fair representation imposed on unions as a result of the privilege of exclusive bargaining rights granted by the Railway Labor and Wagner acts.⁴ The legal requirement has been developed considerably in the last fifteen years to spell out the particular actions by unions which constitute violations of this duty. The federal courts have also held that employers are jointly liable with the union for the duty of fair representation.⁵ Aggrieved minorities may also sue the union for violation of nondiscrimination clauses in contracts.

The 1959 refusal by the Supreme Court to grant *certiorari* in the

⁴ *Steele v. L.&N.R.R.*, 323 U. S. 192; Cox, Archibald, "The Duty of Fair Representation," *Villanova Law Review*, (January 1957), p. 151; Aaron, Benjamin, "Some Aspects of the Union's Duty of Fair Representation," *Ohio State Law Journal*, (Winter 1961), p. 39; *Wallace Corporation v. NLRB* 323 U.S. 248.

⁵ *Central of Georgia Ry. v. Jones* 229 F. 2d 648, Cert. denied, 352 U. S. 848; *Richardson v. Texas & New Orleans Ry. Co.*, 242 F 2d 230; 77 S. Ct. 230.

Oliphant case⁶ would seem to perpetuate the doctrine that unions do not have to grant membership to all members of the bargaining union in order to satisfy the duty of fair representation. However, there is a minority of legal opinion which holds that unions cannot represent workers fairly unless they admit all members of the bargaining unit.⁷

The effectiveness of court cases in changing union racial practices has been limited because these actions require a great deal of time, are uncertain as to their outcome, and have rarely resulted in damages to the plaintiffs. However, lawsuits are valuable to aggrieved minorities as a threat to discriminating unions. Moreover, injunctions to prohibit unions from violating the duty of fair representation have made it possible for Negroes to prevent unions from causing them to lose their jobs.⁸

The NLRB has been more cautious than the courts in interpreting and applying the power at its disposal to prevent unfair labor practices. Though the Board has entertained ". . . grave doubt whether a union which discriminatorily denies membership to employees on the basis of race, may nevertheless bargain as the exclusive representative in an appropriate unit composed of members of the excluded race,"⁹ the Board has repeatedly permitted unions which exclude Negroes to participate in elections covering bargaining units containing Negroes.¹⁰ Indeed, the Board has specifically stated that:

Neither exclusion from membership nor segregated membership per se represents evasion on the part of labor organization of its statutory duty of 'equal representation.' But in each case where the issue is presented the Board will scrutinize the contract and conduct of a representative organization and withdraw certification if it finds that the organization has discriminated against employees in the bargaining units through its membership restriction or otherwise.¹¹

Despite this threat, the NLRB has never actually revoked certification of a union for racial discrimination. The Board held that Tobacco Workers Local 219 violated its statutory duty by having a Negro auxiliary covered by a check-off and union security provi-

⁶ 262 F. 2d 359 (1958) Cert. denied 359 U. S. 935 (1959).

⁷ *Betts v. Easley*, 161 Kansas 459 (1946) and Justice Murphy's concurring opinion in the *Steele* case, 65 5 Ct. 226.

⁸ See: *Hunter v. Atcheson Topeka and Santa Fe Ry.* III RRLR 996 (1958).

⁹ *Bethlehem Alameda Shipyard Cases* R-5963-94 (1943).

¹⁰ *Carter Manufacturing Company*, 59 NLRB 804.

¹¹ NLRB, *Tenth Annual Report*, 1945, p. 18.

sions.¹² However, the union voluntarily relinquished certification, relieving the Board of the duty to revoke certification, which it claims it would have done. In another case, Local 211 of the Steamfitters voluntarily relinquished certification after the Teamsters challenged their right to represent a bargaining unit because they discriminated against Negroes.¹³ The NLRB hearing officer recommended that the Steamfitters' certification be revoked in this case because the local "failed to perform its full statutory duty under the certification," though no mention was made of race.

The Board argues that it has no power to deny certification to a union with a history of discrimination on the grounds that it has no authority to infer a union's future conduct from its past practices.¹⁴

It is, however, not clear whether denial of certification would have a significant impact on union racial practices. It is not necessary for a union to be certified in order to bargain collectively with employers. Indeed, many crafts unions have sufficient economic power to operate without certification. It is not clear whether these unions have the duty of fair representation if they are not certified. It also seems that the duty of fair representation is most important where there is rival unionism or employer opposition to the union's discriminatory practices; rival unionism has been reduced but not eliminated by the AFL-CIO merger.

While the Board has made it clear that it will not consider race a relevant factor in its operations, it has held against racial discrimination that was incidental to an unfair labor practice.¹⁵ The Board has also consistently ruled that it is not an unfair labor practice to appeal to racial prejudices in representation elections.¹⁶ In the 1957 Westinghouse case, however, a minority of the Board dissented in a decision that it was not an unfair labor practice to use the race issue against the International Union of Electrical Workers in Raleigh, North Carolina.¹⁷ Moreover, the NLRB is currently reconsidering the legality of using race arguments in representation elections.

¹² *Larus & Bros.*, 62 NLRB 1085.

¹³ Case No. 39-RC-854, (1955).

¹⁴ *Pacific Maritime Association*, 110 NLRB 1647 (1954).

¹⁵ *Intracoastal Terminal, Inc.* NLRB No. 31; *Peninsula Tile and Terrazzo Co.*, 12-CA-486; *Matter of Ozone Lumber Co.*, 42 NLRB 1073; *Matter of American Cyanamid*, 37 NLRB 587.

¹⁶ *Happ Bros.*, 90 NLRB 1513; *American Thread*, 84 NLRB 593.

¹⁷ 119 NLRB No. 26; 118 NLRB No. 42; II RRLR 1177.

OTHER FACTORS

Time will only permit a listing of the many other factors influencing union racial practices. About eighty per cent of the non-white population outside the South is covered by FEP laws passed since World War II. The FEP commissions have forced unions to abandon formal racial restrictions in their States and have compelled some unions to admit Negroes to membership where they were excluded by informal means. They have also forced the desegregation of some local unions. On the whole, however, the FEP commissions have been limited by: the fewness of verifiable complaints against unions; the slowness of the case method of adjusting claims; and their reliance upon conciliation, persuasion and threats of public hearing, tactics more likely to produce results from employers than recalcitrant local unions.

The President's Committee on Government Contracts (PCGC) created by President Eisenhower in 1953 took the position that it had no power to deal directly with unions. But other agencies were able to use the PCGC to break down racial barriers to employment in some cases. However, the PCGC's effectiveness diminished when it became clear that no contracts were going to be revoked. The PCGC was replaced in March, 1961, by the President's Committee on Equal Employment Opportunity (PCEEO), which takes a more direct approach to unions than the PCGC, but it is too early to evaluate its effectiveness. Clearly, however, if the PCEEO carries out its program to deal directly with unions and to revoke contracts, it will be using the kind of power (economic) required to change the practices of many local unions.

Many Negro organizations have attempted to change union racial practices. The National Association for the Advancement of Colored People (NAACP) and the National Urban League formed close relations with the CIO, but since the merger there has been a growing split between the labor movement and the Negro community; the NAACP, through its Labor Secretary Herbert Hill, has been particularly outspoken in its criticism of continuing racial discrimination by AFL-CIO affiliates. This Negro-labor split was caused by a complex of factors, including the increasing power of Negro organizations which made them relatively independent of financial support from the labor movement. Moreover, the AFL union leaders, who were never very close to such Negro organizations as the NAACP,

gained control of the AFL-CIO with the merger. The Negro-labor split was widened by the federation's admission of the Brotherhood of Railroad Trainmen and the Brotherhood of Locomotive Firemen and Enginemen, both of which limited membership to whites, and the widely publicized cases of discrimination against Negroes by local unions in New York, St. Louis, Milwaukee, Cleveland, Hartford, Detroit, and other cities. There has likewise been some unrest because of the relatively high rate of unemployment among Negroes in the recessions since the AFL-CIO merger.

There have been a number of Negro labor organizations to promote the political and economic objectives of their members. These frequently take the form of "clubs" or organizations for a particular purpose, or caucuses within international unions. There have been more formal organizations since 1935, when A. Philip Randolph and other Socialists formed the Negro Labor Committee. Some of these Negro labor groups have been backed by the Communists, who have undoubtedly caused non-Communist union leaders to take more equalitarian racial positions; it is perhaps not a coincidence that most of those international unions with well-publicized positions of racial equality have either had strong internal Communist factions or have competed with Communist-led groups for Negro support. The recent agitation against union racial discrimination has produced a Negro American Labor Council with branches in various major cities in the North. The organization seeks to activate Negroes within the labor movement and to bring other pressures against unions to promote Negro objectives within the labor movement and in politics. It is, of course, too early to evaluate the impact of the NALC, which is opposed by many powerful white labor leaders.

CONCLUSIONS

We may conclude by noting some of the main changes in union racial practices in the last thirty years.

(1) The number of international unions with formal racial bars has declined from at least 26 in 1930 to three major unions today; and only one of these, the BLF, is affiliated with the AFL-CIO. Moreover, AFL-CIO President Meany assures us that the BLF will remove the racial bar or be expelled from the federation.

(2) Negro union membership has increased from about 56,000 in 1930 to between 1.5 and 2.0 million today.

(3) The AFL-CIO has adopted a stronger equalitarian racial position than either the AFL or the CIO, though the federation really has little other than moral power to enforce its policies against offending locals. Moreover, implementation of the federation's racial policies has been impeded by difficulties within the federation and its civil rights committee and department.

(4) Negroes occupy important official positions within the labor movement. Two Negroes were elected to the AFL-CIO Executive Council, though one of these (Willard Townsend) died and was not replaced by a Negro. At least fifteen international unions have or have had Negro vice presidents or executive board members.¹⁸ There are also many Negroes in positions of responsibility within local unions.

(5) The whole level of the debate over union racial policies has changed in the past thirty years. Thirty years ago discrimination was defined largely in terms of unions which would not admit Negroes to membership and the prevalence of racial wage differentials. Where Negroes were admitted, it was commonly to auxiliary locals. Today, the racial wage differential has almost disappeared in jobs covered by union contracts and auxiliary locals are almost nonexistent. The main areas of conflict today involve the exclusion of Negroes from some craft locals, abolition of segregated seniority rosters, the election of Negroes to the international executive boards of unions like the United Automobile Workers and the United Steel workers, and overcoming Negro and white opposition to the desegregation of local unions. While many building trades and railroad locals continue to exclude Negroes from membership, and Negroes continue to be concentrated in lowest job categories, segregated seniority rosters have been changed considerably in many industries. Moreover, while segregated locals exist in all sections of the country, it is rare to learn of the establishment of new segregated locals, and several international unions are taking measures to abolish Negro locals where they exist.

¹⁸ International Longshoremen's Association; Allied Industrial Workers; Hotel and Restaurant Employees; National Agricultural Workers; United Rubber Workers; Mine, Mill and Smelter Workers; United Packinghouse Workers; Tobacco Workers; Hod Carriers and Common Laborers; Oil Chemical and Atomic Workers; National Maritime Union; Brotherhood of Sleeping Car Porters; United Transport Service Employees; the American Federation of Teachers; Retail, Wholesale and Department Store Union; and the Amalgamated Meat Cutters and Butcher Workmen.

(6) Thirty years ago, Negro leaders frequently encouraged colored workers to act as strikebreakers. Today, in spite of the public split between the Negro community and the labor movement, many Negro organizations remain pro-union and Negro strikebreakers are rarely heard of. Moreover, Negro-labor political alliances continue to be important forces in most industrial cities.

(7) A considerable body of law has been developed in union racial practices, and a number of organizations have evolved to which aggrieved workers can take charges of discrimination against unions. Indeed, one reason union racial practices have not been changed more than they have is the paucity of verifiable charges filed with these agencies.

There is ample evidence of discrimination against Negroes by unions, but it would be false to allege that there has not been a significant lowering of racial barriers in unions in the past 30 years.

GOVERNMENTAL FAIR EMPLOYMENT AGENCIES: AN APPRAISAL OF FEDERAL, STATE AND MUNICIPAL EFFORTS TO END JOB DISCRIMINATION

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Discrimination against minority groups in employment has been a subject of constantly increasing public discussion and concern in this country over the past twenty years. Numerous government agencies—federal, state and local—have been established for the purpose of combating job discrimination and insuring equal employment opportunity for individuals, regardless of race, religion or national origin. More than thirty such agencies are functioning at the present time, including a national body covering federal government and federal contract employment over the entire country, state bodies in nearly half the states, and municipal bodies in seven major cities and several smaller ones.

At the federal government level, there have been five fair employment practice agencies in operation at different times during the past twenty years. All of these agencies were created by executive orders of the President. All of the currently operating state FEP commissions, however, operate under statutory authority. Beginning with New York in 1945, twenty-two states have adopted "fair employment practice" laws.¹ Correspondingly, the city commissions operate under ordinances enacted by the respective municipal legislative bodies.²

This paper summarizes the results of a study of federal, state and municipal fair employment practice commissions, and of the laws and executive orders which they administer. The main purpose of the study, as formulated at the outset, was to explore and attempt to

¹ The States having enforceable FEP laws, in the chronological order of their enactment are: New York and New Jersey (1945), Massachusetts (1946), Connecticut (1947), New Mexico, Oregon, Rhode Island and Washington (1949). Alaska (1953), Michigan, Minnesota and Pennsylvania (1955), Colorado and Wisconsin (1957), California and Ohio (1959), Delaware (1960), Idaho, Illinois, Kansas and Missouri (1961); Indiana (1945) has a "voluntary" (non-enforceable) law.

² The major cities having actively functioning FEP commissions are: Baltimore, Cleveland, Minneapolis, Philadelphia, Pittsburgh, St. Paul and Toledo. Through special understandings between the respective state and local governments, most of the discrimination cases originating within these cities are handled by the municipal agencies.

answer two closely interrelated questions: (a) whether it is necessary to have enforceable FEP laws in order to eliminate discrimination against minority groups and establish equality of opportunity in all areas of employment, and (b) if so, what kind of laws (or equivalent executive orders) and what kind of administrative agencies will accomplish this objective most effectively.

Since the second question would have substantive meaning only if the answer to the first was affirmative, major attention was given in the early stages to probing the question of the necessity or non-necessity of FEP laws. However, the study had not proceeded far before it became evident that enforceable laws, and administering commissions with power to invoke the enforcement provisions *are* necessary, if meaningful reduction in employment discrimination is to be achieved. Early researches uncovered a number of episodes, involving fair employment practice efforts both at the state and municipal level, in which purely "advisory" laws or nonlegislative programs had first been instituted, and had failed to bring about any appreciable reduction in discriminatory employment practices. In each instance, enforceable FEP laws providing for effective administrative commissions were subsequently enacted; and in each instance substantial improvements in employment practices and desirable job opportunities for racial minorities followed soon afterward.⁸ Further, a study of the operation and experience of the President's Committee on Government Contracts, created in 1953 to enforce the nondiscrimination clause in federal contracts but granted no effective enforcement powers, indicated that this agency, over its seven-year life, failed to bring about any significant improvement in the total employment practice picture in government-contract establishments.

Subsequent exploration was therefore focused mainly on the second question, namely, what kind of laws and agencies are needed. In conducting research into relevant factual experience an effort was made to ascertain, first, what existing FEP laws and agencies have had the greatest effect in reducing employment discrimination, and second, whether and to what extent the result could be attributed to particular features of these laws, or of the organization and functioning of the administering agencies. In the course of this study the

⁸ The most dramatic examples of this kind of "before and after" experience have occurred in Baltimore and Cleveland, at the city level, and in Kansas at the state level.

policies, practices and experience of some fifteen FEP agencies—federal, state and municipal—were examined and analyzed.

Discrimination in employment is contrary to the public interest, and hence is subject to control by law, in two principal ways. One is that it violates a basic individual right—the right to equal employment opportunity. The other is that it interferes with the efficient utilization of the community's manpower supply. Virtually all of the FEP laws invoke the individual-rights principle as the sole or the main justification for prohibiting employment discrimination. By contrast only two of the laws invoke the utilization-of-manpower principle. In keeping with this emphasis on individual rights, the procedural directives and enforcement devices contained in the state and municipal laws are aimed primarily at providing redress for individuals subjected to discriminatory treatment.

ORGANIZATION AND FUNCTIONING OF STATE AND MUNICIPAL FEP AGENCIES

The following account of FEP-law implementation is focused mainly on the policies, practices and experience of the agency which administers the New York law, the State Commission Against Discrimination (hereafter referred to as SCAD). New York was the first state to pass enforceable FEP legislation, and most of the later state laws have been modeled to a greater or lesser degree on the New York law. Moreover, the New York commission has had not only the longest but the most extensive and diversified experience of any state FEP agency. The commission which heads the New York State agency is composed of five commissioners appointed by the governor, one of whom is designated as the chairman. They devote full time to their commission duties, and receive a salary of \$19,500 per year. Seventeen of the other twenty-one FEP-law states also have "operating" commissions, but all of these commissions function on a part-time basis. In the four remaining states the FEP laws are administered by established departments within the state government.

The essential features of SCAD's procedure in handling individual complaints of alleged employment discrimination can be summarized as follows.⁴ When a complaint is received, a field representative pro-

⁴For a more detailed account of the procedures followed by the state FEP commissions, see Michael A. Bamberger and Nathan Lewin, "The Right to Equal Treatment: Administrative Enforcement of Antidiscrimination Legislation," *Harvard Law Review*, Vol. 74, No. 3, January 1961, pp. 526-589.

ceeds to visit the respondent employer's establishment and endeavors to obtain all pertinent facts bearing on the grievance. He also surveys the employment pattern in the workplace, in terms of the numbers of minority group members in each occupational category. His findings, embodied in a written report, are submitted to the Chairman of the Commission, who in turn assigns the case to a particular commissioner. The commissioner, on the basis of the complaint statement and the investigator's report, determines whether or not there is sufficient evidence to support the allegation of discrimination. If not, the case is dropped. If sufficient supporting evidence is found, he issues a finding of "probable cause," which is then transmitted in writing to both the respondent and the complainant.

Following a finding of probable cause, the commissioner meets with the appropriate employer representative and through "conciliation" attempts to bring about a correction of the discriminatory act—e.g., the hiring of the complainant, if he was denied employment. "Conciliation," as the term is used in this connection, involves primarily the use of persuasive approaches and techniques, coupled with the potential power to apply legal or administrative sanctions. The commissioner seeks to persuade the non-complying employer to correct his practices voluntarily while, as an aid to the persuasion process, keeping him reminded that his noncompliance is illegal and may, if persisted in, bring unpleasant consequences. If the commissioner's effort is successful, and if the employer takes the agreed-upon corrective action, the case is concluded—at least insofar as the original complaint is concerned. In some instances, where the respondent's employment pattern indicates pervasive noncompliance, the commissioner may keep the case "open" pending further conciliation efforts regarding this phase of the problem.

The great majority of individual complaint cases have been satisfactorily concluded at this stage. If, however, as sometimes happens, the respondent employer refuses to take any corrective action despite the commissioner's conciliation efforts, the agency may order a public hearing. At the hearing the entire case is reviewed before a panel of three commissioners. The agency's record of factual evidence is made part of the proceeding and the employer is required to submit to questioning by the commissioners. The complainant may also appear and testify. The entire hearing is held in public and all of the evidence and testimony is available for public inspection and publica-

tion. If the commission, on reviewing the case, sustains the original finding of "probable cause," it issues a "cease and desist" order to the employer requiring him to take corrective action. Such orders are enforceable in the courts, and refusal by a respondent to comply would make him liable to contempt action.

Over the period 1945-1960 SCAD ordered only 18 employment complaint cases for public hearings, out of a total of more than 3000 valid complaints processed. However, the number of hearings actually held is only a part of the total picture. In a substantial number of cases commissioners have used the *threat* of a public hearing as an aid in persuading recalcitrant respondents to revise their existing practices. Most employing managements—and unions and employment agencies as well—are very reluctant to have an FEP complaint case involving them go to public hearing, owing to the unfavorable publicity involved. The small number of hearings held, therefore, is just as much a testimonial to the efficacy of the weapon as an indication of restraint by the commission in utilizing it.

In addition to processing and settling individual complaints, FEP commissions also engage in "pattern-centered" compliance activities—that is, efforts to bring about nondiscriminatory employment practices on a broad-scale basis, such as the entire workforce of a company or or group of companies. The New York Commission engages in three distinct types of pattern-centered activities: complaint-based pattern adjustments, "informal investigations," and commission-initiated studies.

The most important of these activities, both in terms of total effort expended and results achieved, is the adjustment of complaint-based patterns. This activity is actually conducted simultaneously or in conjunction with the adjustment of individual complaints. When investigations are conducted in complaint cases, they frequently reveal evidence of more pervasive discrimination—over entire occupational categories or over the entire workforce. In such cases the commissioner-conciliator, in addition to seeking adjustment of the individual complaint, also seeks a commitment from the respondent employer that he will revise his overall employment policies and practices to conform with the letter and spirit of the FEP law. The "conciliation agreements" arrived at in such cases also customarily provide that the commission will conduct one or more follow-up investigations of the employment pattern, usually at six-month or

one-year intervals. When a follow-up investigation indicates that "pattern" discrimination is still present, or that insufficient progress has been made toward eliminating it, the commissioner initiates follow-up negotiations with the respondent to ascertain the reasons for the lack of progress and see that a more affirmative effort is made toward full compliance in all phases of the employment pattern. The extent of SCAD's activity in this area is indicated by the fact that in the year 1959 it found and adjusted discriminatory patterns in 38% of the complaint cases filed with it.

In all of the other FEP-law states the activities of the commissions are focused primarily on processing and adjusting individual complaints. While most of these agencies do engage in pattern-centered compliance efforts to some extent, they devote considerably less time and attention to such activities than the New York Commission.

EFFORTS OF STATE AND MUNICIPAL FEP AGENCIES

The study shows that, in those states and major cities having established and enforceable FEP laws, racial discrimination in employment is considerably less prevalent today than it was prior to the enactment of the laws; and there are good grounds for concluding that the existence of the laws and the efforts of the FEP commissions in administering them have been a major factor in bringing about the change. Probably the best available indicator of this causal relationship is the extent to which racial minorities, through action by commissions, have been admitted to industries and occupations from which they previously were excluded. The states and cities which afforded most of the evidence of such before-and-after experience were, as might be expected, those having relatively long-established FEP laws. Five states with relatively large Negro populations in one or more of their major urban areas have had enforceable FEP laws in effect for ten or more years, namely, New York, New Jersey, Massachusetts, Connecticut and Washington. Two major industrial cities in other states—Philadelphia and Cleveland, both with large Negro populations—have also had enforceable laws for more than ten years. The other enforceable state and municipal laws have been in effect for much shorter periods—from a few months to five years.

The New York State experience affords the most striking illustration of the effect of an enforceable FEP law in reducing employment discrimination. As early as 1951 SCAD adduced factual evi-

dence indicating that its compliance efforts had resulted in substantial changes in racial employment patterns. In that year the agency undertook a detailed analysis of the 334 follow-up reviews (of previously concluded "valid" complaint cases) conducted during the year. The results of the analysis were summarized in its annual report as follows:

"In 85 percent of the cases studied there was a definite improvement in the employment pattern as compared with the conditions which existed at the time the original complaints against these firms were filed. These changes were reflected in substantial increases in the number of members of different racial, religious and nationality groups employed in professional, technical, skilled, semi-skilled and unskilled job categories. In the other 15 per cent of the cases analyzed no significant changes in employment patterns were found."⁵

The findings with respect to employment of Negroes were especially significant. The study included a sizeable number of companies in such industries as banking, insurance, public utilities and retail trade, where Negroes had traditionally been excluded from all except menial jobs. The reviews revealed that Negroes in significant numbers were now employed in office work at various levels in several large banks and insurance companies; in office, switchboard and skilled mechanical jobs in major public utility companies; and in sales, clerical and even supervisory work in retail stores. In nearly all instances Negroes had been entirely or virtually absent from these positions prior to the commission's intervention. The study also revealed significant post-intervention entry of Negroes into skilled and supervisory jobs in a variety of manufacturing establishments, where they had previously been limited to unskilled or, at best, to semi-skilled production work.

Similar follow-up reviews conducted by SCAD in subsequent years have likewise revealed improvement in racial employment patterns over the pre-intervention situation in a majority of instances. In a number of cases involving large total work forces—particularly in New York City, where over three-quarters of the state's Negroes reside—the agency has conducted a succession of reviews, sometimes over a period of eight or ten years. In most of these situations the

⁵ New York State Commission Against Discrimination, *1951 Report of Progress*, pp. 7-8.

patterns have continued to show substantial further improvement.

On the basis of our studies, which have included most of the country's major metropolitan centers, it seems safe to conclude that at the present time New York City is well in the lead among cities in racial employment integration in at least three key "progress" industries, namely, retail trade, public utilities and finance. And the evidence seems fairly conclusive that the work of the New York State Commission in administering the Law Against Discrimination has played a major role in bringing about the improvement.

Studies in the other four states with long-established FEP laws likewise indicate material progress in reducing employment discrimination since the advent of the laws. However, when one compares the evidences of progress and the current situation in all five states with long-established FEP Commissions, it is apparent that the greatest progress have been made in New York. The difference is especially marked if one confines the comparison to the principal urban areas of the five states⁶ (where, in each case, the bulk of the Negro population is concentrated) and to the aforementioned "white-collar" industries, from which Negroes were formerly almost completely excluded. In each of these industries the expansion of employment and upgrading opportunities for Negroes has proceeded markedly further in New York City than in any of the other four urban centers, or indeed any other major American city. This manifestation of greater progress in New York than in other FEP-law states cannot be ascribed to any differences in the substantive provisions of the laws themselves, since the other states have followed the New York law very closely in this respect. There is, however, reason to believe that the emphasis the New York Commission has given to follow-up reviews of employment patterns and other pattern-centered compliance activities has been a major contributing factor in bringing about the notable reduction in discriminatory practices and improvement in the employment status of Negroes in the state.⁷ In case after case a series of follow-up surveys in a large concern has shown successive improvements in the racial employment pattern. Several "informal" multi-company investigations, notably those covering bakery driver-salesmen and soft-drink deliverymen, have been

⁶ I.e., New York City, Newark-Jersey City, Boston, Hartford and Seattle.

⁷ Cf. John Hope II, "Central Role of Intergroup Agencies in the Labor Market; Changing Research and Personnel Requirements," *Journal of Intergroup Relations*, Spring, 1961, p. 139.

accompanied or followed by significant breakthroughs in employment of Negroes.

SCAD has been able to engage in pattern-centered activities only because it has had a staff of sufficient size and caliber to conduct these activities, while still adequately handling its day-to-day case load of individual complaints. This in turn has been made possible by reasonably adequate annual budgets, which have been increased over the years as the agency's work load has grown. By comparison with SCAD the other state commissions have devoted only a small portion of their resources to pattern-centered compliance activities. And the primary reason is that their annual budgets have been too small to permit a major effort in this direction. Nearly all of the commissioners and executive directors interviewed agreed that the objectives of the FEP laws would be better served if they could give more attention to broad-scale endeavors. However, since they are required by their laws to process all individual complaints presented, they have no choice but to give complaints first priority; and with their very limited budgets this leaves few or no staff resources available for pattern-centered activities.

The effectiveness of broad-scale compliance action is further attested by the experience of the Philadelphia Commission on Human Relations. Under the city's FEP ordinance, the CHR has what are perhaps the broadest powers to take corrective action on a pattern basis of any city or state FEP Commission. It is empowered to "initiate its own investigations of practices of discrimination . . . because of race, color, religion or national origin" and to "hold public hearings for such purposes and make public its findings." It is also empowered to subpoena witnesses and documents in connection with such investigations and hearings. The commission invoked this power very sparingly during its early career, but has begun to make greater use of it in recent years. However, it has throughout devoted considerable attention to follow-up pattern reviews in complaint cases. And this emphasis is reflected in a notable improvement in racial employment patterns in Philadelphia, particularly in manufacturing, retail trade, hotels and restaurants, tele-communications and electric power distribution.

In concluding this analysis, it should be noted that it attempts only to *compare* the extent of efforts and achievement of the several FEP Commissions. It is not suggested that the compliance activities

of the FEP Commissions considered have resulted in anything like complete elimination of racial employment discrimination in their respective jurisdictions. There are important occupational areas, even in New York and Philadelphia, where Negroes are for practical purposes still debarred from employment. The higher-skilled construction crafts, the printing trades, and administrative and executive positions in virtually all lines of economic activity are perhaps the most prominent examples. The analysis does, however, strongly indicate that the efforts of the New York State Commission Against Discrimination and the Philadelphia Commission on Human Relations, in particular, have brought about a significant reduction in employment discrimination in their respective locales, and that their notable success have been due in large part to the major emphasis both have given to pattern-centered compliance activities.

THE PRESIDENT'S COMMITTEE ON GOVERNMENT CONTRACTS

Fair employment practice activities at the federal government level have been concerned chiefly with enforcing the executive policy prohibiting discrimination in establishments holding federal contracts, first established by President Roosevelt in 1941. Five different agencies charged with this duty—all created by executive orders—have functioned for varying periods over the past twenty years. The first of these, called the Fair Employment Practice Committee (FEPC), functioned during the early years of World War II. It was succeeded by another agency bearing the same name, which functioned until the end of the war. The third agency, called the President's Committee on Government Contract Compliance, was established by President Truman in 1952 and operated for about one year. The fourth agency, called the President's Committee of Government Contracts, was established by President Eisenhower in 1953, and functioned for more than seven years. The fifth agency, called the President's Committee on Equal Employment Opportunity, was established by President Kennedy in March, 1961, and is still in existence. Since the fourth agency, President Eisenhower's Committee on Government Contracts, was the only one that had a substantial history of peacetime activity and experience, the appraisal of Federal Government FEP efforts in this paper is confined to the Eisenhower Committee.

The essential provisions of Executive Orders 10479 and 10557, which created the President's Committee on Government Contracts,

can be summarized as follows: (1) the nondiscrimination clause required in government contracts was rewritten and expanded. In addition to requiring the contractor to agree "not to discriminate against any employee or applicant for employment because of race, religion, color or national origin" it required him to post "in conspicuous places," notices setting forth this policy of nondiscrimination, (2) the heads of the individual federal contracting agencies were given primary responsibility for obtaining compliance with the nondiscrimination provision, and were directed to establish compliance machinery to carry out this responsibility, (3) the Committee was directed, as its main duty, "to receive complaints of alleged discrimination and transmit them to the appropriate contracting agencies for processing."

The Government representatives named to the Committee were Vice President Nixon, as Chairman, Secretary of Labor Mitchell as Vice Chairman, an assistant secretary (or equivalent official) from each of the four major contracting agencies—the Departments of Defense and Commerce, the General Services Administration and the Atomic Energy Commission—and the Deputy Attorney General. The "public" membership consisted of two leading labor union officials, four business executives, and the dean of a Negro law school. The committee held one-day meetings once a month, except during the summer. It employed an operating staff of some twenty persons, of whom approximately half were professional-rank personnel. Additional operating manpower was supplied by the contracting agencies which appointed "compliance officers" to conduct complaint investigations and, at a later stage, compliance surveys. In most instances, however, the persons chosen were contract-administration personnel who were required to perform their compliance duties in addition to their regular work, and consequently very few compliance officers spent more than a small fraction of their time on compliance work.

During the first four years of its existence, the CGC confined itself almost exclusively to dealing with complaints and to publicity and educational activities. The complaint-handling procedure was extremely cumbersome. When a complaint was filed with the Committee, the staff first had to ascertain whether the plant complained against was actually engaged in federal contract work, and if so, with what agency. The complaint was then transmitted to the proper agency, where it had to go down through the layers of authority until it reached the contract officer assigned to this plant. This person

conducted an investigation and wrote a report, which then had to go back up through the layers and thence back to the Committee. The Committee staff prepared recommendations for disposition of the case, which were presented to the Committee for approval at its next monthly meeting. Following this the case went back to the contracting agency for implementation. The average time required to go through this entire procedure was nearly a year.

After about two years of CGC experience under this unwieldy procedure, it became increasingly apparent that the processing of individual complaints was having little effect in bringing about compliance with the nondiscrimination clause. The number of complaints filed was extremely small—a total of 147 in the first two years. And even in the rare case when a valid complaint was finally settled and the complainant redressed, this seldom brought any assurance that the discriminatory company or plant would correct its overall practices. In 1955, therefore, the Committee worked out an agreement with the contracting agencies whereby the latter were to conduct “inspections and field checks for compliance on a sample basis.” The procedure in making these “compliance surveys” (which actually did not get under way until 1957) was to have contracting agency personnel make on-the-ground racial employment pattern surveys in a small sample of contract-holding plants in cities having Negro populations of 50,000 or more. The number of plants surveyed in 1957-1959 averaged approximately 500 per year—less than 3 per cent of all plants holding government contracts.

The Committee also asked the agencies to adopt “a firmer approach” in cases “where education, conciliation, mediation and persuasion do not bring proper results.” It requested the agencies “to deny (new contract) awards where there is convincing evidence of failure to comply with the nondiscrimination clause in previous contracts;” but beyond this it did not suggest any specific penalties or pressures on concompilers. The agencies, for their part, ignored even this one suggested penalty. Indeed, throughout the career of the CGC, no agency ever withheld an award or canceled an existing contract because of noncompliance.

APPRAISAL OF THE CGC EFFORT

Assessing the results of the CGC's seven years of activity aimed at promoting compliance with the nondiscrimination clause, one is led to conclude that its total accomplishment was small, in comparison

with the aggregate of noncompliance still remaining in federal contract establishments. This conclusion is supported by an analysis of the CGC compliance surveys, comparing the figures on Negro and total employment obtained in 1959 with those obtained in 1957, the initial survey year.⁸ For 130 identical plants covered in both years, the proportion of Negroes in the total workforce *decreased* from 8.6% in 1957 to 7.5% in 1959. In the corresponding comparisons by occupational grouping, the proportion of Negroes to all employees showed slight increases in the technical, supervisory, clerical and skilled (blue-collar) categories. However, these slight gains were more than offset by a substantial drop in the percentage of Negroes in the semi-skilled category. Moreover, the proportion of Negroes, even in 1959, was less than 1% in each of the three highest categories.

The conclusion is further supported by the results of a study of federal-contract employment conducted in 1960-61 by the United States Commission on Civil Rights. The commission's findings are summarized in part in its latest published report, as follows:⁹

"This Commission's investigations in three cities—Atlanta, Baltimore and Detroit—and a Commission hearing in Detroit revealed that in most industries studied, patterns of Negro employment by Federal contractors conformed to local industrial employment patterns. In the automotive industry, for example, even though each of the three manufacturers contacted had adopted a company-wide policy of nondiscrimination, employment patterns varied from city to city. In Detroit, Negroes constituted a substantial proportion—from 20 to 30 per cent—of the total work force. Although their representation in "nontraditional" jobs was slight, all companies employed them in all classifications other than management positions, and one company employed Negroes in administrative and management jobs as well. In Baltimore, each of the companies employed Negroes only in production work and not above the semi-skilled level—as assemblers, repairmen, inspectors, and material handlers. In Atlanta the two automobile assembly plants contacted employed no Negroes in assembly operations. Except for one driver of an inside power truck, all Negro employees observed were engaged in janitorial work—sweeping, mopping, carrying away trash. Lack of qualified applicants cannot account for the absence of Negroes from automotive assembly jobs in Atlanta. Wage rates are relatively high for the locality

⁸ Based on tabulations by CGC staff (unpublished).

⁹ *Employment: 1961 U.S. Commission on Civil Rights Report No. 3*, pp. 65-66.

and the jobs are in great demand. The work is at most semi-skilled and educational requirements are extremely low (present employees averaging a third-grade education) There are indications too that, in the same geographic location, patterns of Negro employment are substantially the same in plants of government contractors as in plants of noncontractors. The commission mailed questionnaires to a 5 per cent sample of all manufacturing and assembly plants in Atlanta, Baltimore and Detroit. While the returns were limited, they showed no appreciable difference between federal contractors and noncontractors in the proportion of Negroes employed or in the types of positions in which Negroes were working. A similar conclusion was drawn on the basis of questionnaire surveys of Federal Government contractors by the commission's State Advisory Committees in six southern states—Kentucky, Louisiana, North Carolina, South Carolina, Tennessee and West Virginia.”

These survey findings can hardly be said to indicate any noteworthy improvement in the racial employment practices or the employment status of Negroes in federal-contract establishments over the seven years of the CGC's existence.

The salient weaknesses of the CGC that account for its failure to bring about any meaningful reduction in employment discrimination are fairly apparent. To begin with, the provision in Executive Order 10479 requiring the Committee to transmit complaints to the contracting agencies for processing constituted a built-in barrier to efficient operation. Since the primary responsibility of the agencies is to obtain fulfillment of contracts, there was a pervasive tendency to give this objective priority over the “nondiscrimination compliance” objective. Another weakness was the Committee's failure to make the nondiscrimination provision, and the procedure for filing complaints under it, known to the nation's job-seekers. The requirement that contract-holders post notices in their plants did little good in this regard, since most job-seekers have no way of knowing what plants hold government contracts, and hence would be exposed to the notices only if they happened to enter such a plant. Third, the CGC, in communicating with respondent employers concerning complaint cases involving them, never made a finding of “probable cause”—even where the investigation showed clear evidence of discriminatory employment practices. This fact helps to explain why respondent employers did not regard CGC complaint proceedings involving them

as a very serious matter. Fourth, in processing complaints little effort was made to ascertain racial employment patterns, and correspondingly little effort to obtain affirmative correction of overall practices in noncomplying plants or companies.

The compliance survey activity, conducted only during the last four years of the CGC's operation, suffered from similar weaknesses. Conceptually, the compliance surveys offered better possibilities for substantive achievement in bringing about compliance and opening up desirable employment opportunities for minority groups, since they were concerned exclusively with employment patterns. In practice, however, they proved no more effective than the complaint-handling activity in this regard.

One weakness that pervaded the entire compliance effort was the CGC's reluctance to deal with situations involving discriminatory labor organizations. In a number of industries, and particularly in construction, the practice of recruiting skilled workers mainly or exclusively through unions is widely followed. Many of these local craft unions exclude Negroes from membership, and consequently skilled Negro workers are often barred from employment opportunities solely for this reason and without reference to the policies and practices of the employers involved. The executive orders made no mention of unions, and the Committee took the position that, since labor organizations are not direct parties to government procurement contracts, it had no authority to intervene in situations involving discrimination by such organizations.

Probably the most serious shortcoming of the CGC was its failure to undertake a broad and determined effort to correct discriminatory practices on a company-wide or, where indicated, an industry-wide scale. Had it made such an effort, utilizing as an incentive pressure the threat (and where necessary the fact) of contract termination and withholding, it might have brought about considerable progress and improvement toward equality of employment opportunity in government contract establishments.

EXECUTIVE ORDER 10925—THE NEW FEP MANDATE ON FEDERAL-CONTRACT EMPLOYMENT

While it is still too early to assess the effectiveness of the President's Committee on Equal Employment Opportunity, created in March 1961 to succeed the CGC, it will be worthwhile to summarize

the powers given the new agency under Executive Order 10925. The new order contains many provisions not found in the earlier orders—most of them obviously intended to correct weaknesses in the predecessor agency.

Executive Order 10925 gives the CEEO and the contracting agencies a number of powers not specified in the previous order. It provides for both a complaint-handling and a compliance reporting-and-reviewing system. Moreover, while the contracting agencies are still made primarily responsible for obtaining compliance by their contract-holders, the Committee itself may assume "direct jurisdiction" in either complaint or compliance review situations.

The initial step prescribed for dealing with noncomplying contractors is that "the contracting agency (or the Committee) shall make reasonable efforts . . . to secure compliance . . . by methods of conference, conciliation, mediation, and persuasion." When these methods fail, however, it may proceed to apply certain "sanctions and penalties" enumerated in the order. The principal pressure sanctions authorized are the holding of public hearings, and the publication of the names of noncomplying contractors. The *penalties* which the agencies may impose include (a) terminating contracts, (b) refraining from entering into (initial or further) contracts, and (c) recommending to the Department of Justice that it bring court proceedings to enforce the nondiscrimination provision.

Executive Order 10925 also includes several provisions intended to combat discriminatory practices by labor organizations. While no direct action against unions is authorized, contract holders are required to inform the CEEO regarding any practices of unions they deal with, which might prevent compliance. Further, the Committee is authorized to publish the names of such unions, and to hold public hearings with respect to their practices and policies.

It is clear from this summary that Executive Order 10925 is more "employment pattern-centered" in its approach to the compliance problem than the executive orders which governed the CGC. However, no meaningful assessment of the new order, or of the Committee charged with enforcing it, can be made until it has received adequate testing in actual employment practice.

SOME FEP PUBLIC POLICY CONSIDERATIONS

We may now return to the central question of public policy posed at the outset, namely: What kind of fair employment practice law

(or laws) and what kind of administering agency (or agencies) are needed in order to achieve maximum progress toward full equality of employment opportunity and concomitant improvement in the utilization of minority group manpower? The foregoing analysis has brought to the fore two particularly important aspects of the overall problem, which can be stated as follows:

- (1) Would a national FEP law be more effective or less effective than state laws in achieving the above-stated objective?
- (2) What relative emphasis should the law (or laws) give to the processing and adjustment of individual complaints and to pattern-centered compliance activities?

In the writer's opinion, the twin objectives of effectively reducing employment discrimination and improving manpower utilization over the economy as a whole could be achieved sooner and more efficiently under an all-embracing federal FEP law than under state and/or municipal laws. The present state and municipal laws, as has been noted, are virtually all confined to the North and West. There are only two in the border area. And there are none in the entire South where, despite heavy out-migration in recent decades, more than half the country's Negro population still resides. In contrast to the regional character of FEP-law coverage, American business enterprise is organized predominantly on a national basis. Most of the larger companies in manufacturing, transportation, public utilities, and mining, and important sectors of construction, trade, finance and services are national or multi-regional in scope, and many have establishments in all sections of the country. The implications of these two contrasting situations for efficient FEP-law administration are fairly apparent. Under the existing set-up of twenty-nine separate state and municipal FEP agencies, it frequently happens that several commissions are engaged in compliance negotiations with the same multi-plant company at the same time. Each commission must, of course, confine its action to the particular plant, or plants, of the company located within the state. Thus the system of separate state laws results not only in considerable duplication of effort, but at the same time in inadequate coverage of employment discrimination problems in a given multi-plant enterprise—since southern plants are excluded. Moreover, the state and municipal commissions are most often confined to dealing with local managements of multi-plant companies, which seldom have final decision-

making authority with respect to major changes in employment practices.

These obstacles and drawbacks could be largely, if not entirely, overcome under a national FEP law, administered by a national agency equipped with the necessary enforcement powers and adequately staffed. Such a law would broaden the scope of governmental fair employment compliance action to include the areas of the country where the most pervasive discrimination exists, and where it is the most difficult to eliminate. Moreover, the administering agency would be able to deal with employment discrimination problems in large national enterprises on the basis of the entire country-wide array of their operations, thus enhancing the efficiency of the compliance activity as compared with that of state and municipal commissions. And in conducting compliance efforts on this basis it would negotiate with management at the top level, which possesses final authority and is often also more amenable to making major revisions in employment practices than managements of individual plants.

With respect to the second major aspect of the central public policy question, our analysis of the relative accomplishments of particular state and municipal FEP agencies has indicated that employment pattern-centered compliance efforts are far more effective than individual complaint-adjustment activities in reducing employment discrimination and expanding job opportunities for racial minorities. These findings, and the corroborating opinions expressed by a number of the country's ablest and most experienced FEP-law administrators, suggest that in formulating a federal FEP law, or amending existing state laws, pattern-centered compliance and enforcement activities should be made the primary function of the administering agency, and that the processing of individual complaints should be relegated to the background.

There can be little doubt that, if the state FEP laws were amended to permit compliance activities to be concentrated on employment patterns, the commissions would be able to conduct their total compliance effort more efficiently and effectively, and show greater results in terms of aggregate reduction of discriminatory employment practices than is possible under the present enforced preoccupation with individual complaints. And, as the foregoing discussion of the compliance efforts at the federal level indicates, heavy emphasis on pattern-centered compliance activities would be even more essential

in a national FEP law. If properly formulated, the amending provisions would permit a commission, whether state or federal, to conduct employment-pattern surveys, on the basis of entire industries or industry sectors, in order to ascertain the extent and nature of existing employment discrimination and to identify those industries or portions of industries in which serious or pervasive discrimination existed. It could then proceed to conduct conciliation-compliance conferences with representatives of these industries—either collectively or individually, as circumstances dictated.

In conclusion, it is recognized that the prospects of obtaining passage of a national fair employment practice law in the near future are not bright, owing to the continued retention of certain legislative rules and procedures in the United States Senate. However, questions of the changes in political institutions and arrangements needed in order to make the enactment of a federal FEP law possible are outside the scope of this paper.

Meanwhile, it may be assumed that fair employment practice compliance efforts at the federal level will be confined to federal-contract and federal government employment, as prescribed in Executive Order 10925 and conducted by the President's Committee on Equal Employment Opportunity. The new executive order, as noted, is more employment pattern-centered in its approach to the compliance problem than the orders under which the predecessor Committee operated. And the foregoing suggestions for commission action in administering a pattern-oriented state or federal law apply with equal cogency to the Committee on Equal Employment Opportunity in carrying out the provisions of the executive order.

DISCUSSION

JOHN HOPE II*

President's Committee on Equal Employment Opportunity

In this paper the author has given us an accurate and comprehensive description of the governmental machinery which has been developed in the United States to eliminate discrimination in employment because of minority status; e.g., religion, or national origin. This account has been selectively condensed to give the essential and distinguishing features of the various types of laws, agencies, and implementing methods, with a minimum of legalistic "frosting." He has carefully and appropriately labeled his conclusions "tentative."

In my opinion, these findings will of necessity remain tentative for some time, though their authority is greatly strengthened by the careful scholarly weighing of available data, however limited, which has gone into the important research project, of which this paper is a part. Some examples of the care with which the data has been assembled include confining the close examination of state agencies to those with a long and sustained experience, at least 10 years; the limitation of progress measurement primarily to the largest and most visible minority, the Negro; and the choice of the oldest state agency, SCAD of New York, for intensive consideration of the significance of pattern-changing approaches with emphasis upon industries least affected by Federal compliance efforts, e.g., banking, insurance, public utilities, and retailing.

It is regrettable that after more than a decade and a half of Government FEP activity, the data and techniques for measuring progress in the decreasing of discrimination, as opposed to simply assessing the extent of growth, the amount of minority employment, is so limited. In my opinion, our experience is now long enough and the urgency of need great enough for the staffs of FEP agencies and scholars concerned with this problem to make a major effort to eliminate these deficiencies as rapidly as possible. Consequently, it is appropriate at a meeting of the IRRA to discuss briefly what seem to me to be some of the reasons for these deficiencies and some of the motivations for accelerated effort to eliminate them. The reasons are listed as follows:

*The views stated here are those of the writer and in no way reflect the position of the President's Committee on Equal Employment Opportunity.

(1) The limited factual information collected by such agencies, and the even more restricted resources, staff, and material for effective and continuing analysis of data. Record-keeping, fact-finding, and report-developing is now a normal, if modest, part of the activities of such agencies, but research in the hypothesis-testing, generalization-seeking sense remains in embryo.

(2) The failure to date of state and municipal agencies to adequately standardize their reporting systems so that apparently similar statistics are in fact comparable.

(3) With rare exception, the limited, if not total, absence of the research function, *as a tool for effective administration* of the law. To a large degree, the research function is considered an expensive luxury in the view of those who authorize the operating budgets of such agencies and sometimes by the executive leadership. Where research personnel is present, it seldom gets beyond the fact-finding stage to the actual process of formulating and testing hypotheses useful for the efficient administration of the law. There is legitimate question as to who should conduct various types of research, inside or outside of FEP agencies, but little doubt that it is needed.

(4) Limited use of employer research facilities and staff. This can probably be attributed to two major causes: first, the low priority in importance on the part of management, and a wishful hope that the problem "will go away;" and, second (and probably more important), limitations to the effective collection of such data imposed by both actual and erroneously assumed restrictions to employer-gathering of information on the identity of minorities, particularly racial. There is great confusion as to the distinction between collecting pre- and post-employment information and the question of the legal authority and the social desirability of such efforts are unduly intermingled. I commend the careful study of this practical problem to the membership of your Association because of your high competence and, hopefully, your professional concern with this problem.

The reporting requirements of Executive Order 10925 are likely to raise the priority level of information gathering for private firms with Federal government contracts (which may cover 16 to 18 million workers in manufacturing industries). The impact of this development upon total industry is likely to be highly significant. But the real and fancied problems involved in determining the size and oc-

cupational distribution of minorities is not resolved, though increasing attention is being given to it.

At the present time there are two major means of getting such information, namely physical head-counting, and some form of record-keeping by employers according to minority group which will allow them to readily tabulate the distribution of their employees on this basis. In my opinion, this is an area in which members of this Association have unique competence, experience, and employer contacts for both promoting and undertaking research which will result in a means of employee reporting by minority status which is, on the one hand, efficient and susceptible to routine administration, and, on the other, capable of maintaining a level of anonymity about the race, religion, or national origin of the individual in those areas of management where these facts can be used to his detriment, while at the same time allowing management to provide a reliable estimate from time to time of the dominant-minority group composition of its labor force. The prospects of sampling in this area need to be carefully canvassed. It may conceivably make a major contribution to the solution of this crucial and timely problem to the satisfaction of both the counters and the countees.

I find myself in essential agreement with Dr. Norgren's discerning treatment of FEP public policy considerations. This is probably to be expected since I have taken essentially the same position in an article referred to by the author, which was prepared last April, sometime before I came to my present position. Recent experiences with the approach of the President's Committee on Equal Employment Opportunity (EEOC) further strengthens my confidence in the pattern-oriented emphasis in seeking compliance. The author has stated the case well. I personally share his views about the need for a Federal FEP law which would give primary emphasis to affirmative action and secondary, *though absolutely essential*, attention to complaint processing as techniques of implementation. His pessimism about the practical prospects of such a law in the near future also seem justified.

His discussion of the pattern-centered approach and the means by which this is applied by SCAD is most revealing. It indicates the serious limitations to this approach under the most favorable circumstances, given the presently prevailing type of state FEP law. Even at its best, such an approach still must be initiated by a com-

plaint from an aggrieved person if it is to be fully effective. In its absence, the positive prospects depend heavily upon persuasion in a situation where both the anti-discrimination agency and the affected employer know that no significant sanctions exist. No doubt, many employers are not amenable to persuasion under these conditions. This weakness does not apply to the powers of the President's Committee on Equal Employment Opportunity. Affirmative action takes place under conditions where employers are more likely to give thoughtful consideration to sound suggestions for bringing about full compliance. The Committee does have power to enforce change through the means listed in Dr. Norgren's paper.

While I would agree that there is a strong (and positive) association between pattern-centeredness and the increase in quantity and improvement in occupational level of Negro employment, I would question whether the implication that there is a cause and effect relationship between this kind of emphasis and success in reducing *employment discrimination* has been established in this paper. I hope that this documentation will appear in the final report of the study—though I doubt whether such proof is possible from presently available data.

The terms "progress" and "rate of progress" are repeatedly used in this paper but they appear to refer to *improvement* in amount and level of Negro employment, rather than decrease in racial discrimination per se. Such improvement may arise from several causes, many of which are based upon rising levels of qualification and productiveness as well as lessening arbitrary restriction *because of* minority status; e.g., improved educational opportunity and achievement enhanced by growing familial and community support which fosters rising employment aspirations; increasing numerical significance of the second generational aspect of South to North rural-urban migration of Negroes, as well as the antidiscrimination efforts of public and private, state, and municipal agencies concerned with equal job opportunity.

The primary concern of public FEP agencies is with the latter problem, and their effectiveness, in my opinion, should properly be measured by their contribution to its solution, exclusive of those arising from skill improvement (in the general sense) rising income, rewards of migration, to mention a few.

Their primary, if not sole, concern is with the factors which cause

under-development and under-utilization of *qualified* manpower potential because of the minority group status. Consequently, their progress must be measured by the achievement of such agencies in reducing this cause of manpower waste. The role of FEP agencies is to deal with the differentiation between members of various groups because of economically irrelevant causes—race, religion, or national origin. However, the part of such lost labor potential of a group which results from deprivation, disadvantage, and discrimination, respectively, is not readily separable. The data available to measure the first two of these are more reliable than the third. As far as group measurement is concerned, we have made little progress beyond the residual concept that the waste remaining after that accounted for by all other causes may be attributed to discrimination. But the progressive decrease of this dimension of waste is the true measure of the effectiveness of the agencies being discussed in this paper.

Briefly, some of the difficulties may be mentioned but not fully discussed.

(1) Care to distinguish between numerical change over a period of time and changes in the *relative* occupational status of dominant and minority groups.

(2) Distinguish between progress as measured by improvement in number of minorities over a period of time without regard to changes in total employment, as opposed to improvement in the rate of employment and in occupational status of the minority as compared with the majority—that is, the question of comparative rates of change of the two groups and whether the gap in employment stability, occupational status, etc., is widening, unchanged, or closing.

In closing, I must say that the author's hypothesis relative to the effect of pattern-centered change in decreasing discrimination, though cautiously stated, was not proved and probably could not be proved. It is an ambitious premise which should command our attention in depth in the coming months and years, and I commend Dr. Norgren on his courage, if not audacity, in being the pioneer in this important area.

FATHER JEROME TONER

Saint Martin's College

The papers read by Dr. Ray Marshall and Dr. Paul Norgren dealing with union's discrimination against Negroes and governmental Fair Employment Agencies efforts to prevent and remove employment discrimination against Negroes have been informative and interesting.

These papers are naturally historical, analytical and objective. They are extremely well done, nevertheless, unjustly they may come under severe criticism because they do not positively condemn employment discrimination against colored workers.

This liability is especially present in Dr. Marshall's paper where an "examination of some of the causes" of discrimination by unions may be looked upon as excuses for discrimination.

Personally, I concur substantially with what Dr. Marshall has said. However, I think it would have been helpful if he had made a distinction between 1) the international officers; 2) local officers; and 3) local union members when discussing "union" discrimination against colored workers. My experience indicates that discrimination rests primarily with the officers of the local union.

Under "Legal Pressures" I thought it would have been appropriate to mention that, under the Supreme Court interpretation of the Taft-Hartley union shop contract, employment rights cannot be denied to anyone because of non-membership in the union legally representing the employees under a collective-bargaining contract. The Supreme Court of the United States has categorically held that "union security agreements (cannot be used) for any other purpose than to compel payment of union dues and fees." (*Radio Officers Union v. NLRB* 347 U. S. 17, 41; 98 L. ed. 455. Enclosure supplied.) See also *Railway Employees Dept. v. Hanson* 351 U. S. 225, 238 (1956).

It was extremely interesting to note that "about eighty percent of the non-white population outside the South is covered by FEP laws." However, I have some doubts about Dr. Marshall's statement that "On the whole, however, the FEP commissions have been limited by: the fewness of verifiable complaints against unions; the slowness of the case method of adjusting claims; and their reliance

upon conciliation, persuasion and threats of public hearings, tactics more likely to produce results from employers than recalcitrant local unions."

Serious doubts were raised when I read that "it is perhaps not a coincidence that most of those international unions with well-publicized positions of racial equality have either had strong internal Communist factions or have competed with Communist-led groups for Negro support." This certainly was not, and is not true, of the Steelworkers Union whose President David J. McDonald has recently sent a letter to the 2,900 employers with whom the union has contractual relations inviting them to join the union in an attempt to "stamp out the evils of discrimination in employment wherever it may exist." (*AFL-CIO NEWS*, Saturday, December 2, 1961, Vol. VI, No. 48, p. 1.)

Dr. Norgren's appraisal of "Federal, State and Municipal Efforts to End Job Discrimination" is a positive and productive contribution to the anti-discrimination forces of the United States and the world.

I agree absolutely with Dr. Norgren when he said that "enforceable (FEP) laws and administering commissions with power to invoke the enforcement provisions are necessary if meaningful reduction in employment discrimination is to be achieved."

My personal experience with the President's Committee on Government compels me to agree with Dr. Norgren when he said "that this agency, over its seven-year life, failed to bring about any significant improvement in the total employment practice picture in government-contract establishments."

Dr. Norgren's analysis of the New York law and its commission procedures and practices was penetrating and suggestive. His notice and recommendation of the commission's "pattern-centered" compliance activities—that is, efforts to bring about non-discriminatory employment practices on a broad-scale basis, such as the entire work force of a company or group of companies—and the practice of "follow-up investigations of the employment pattern" were astute and profitable. I certainly agree with him when he says that "there is reason to believe that the emphasis which the New York Commission has given to follow-up reviews of employment patterns and other pattern-centered compliance activities has been a major contributing factor in bringing about a notable reduction in discriminatory practices and improvement in the employment status of Negroes in the State."

However, I cannot agree with Dr. Norgren when he says that the "legally-imposed 'primary duty' (of the New York Commission is that) of handling individual complaints." The "primary" purpose of the New York law, after which most of the other state laws are modeled, is "to eliminate and prevent practices of discrimination" (Art. 12, Sections 125-136 of New York State Executive Law by Laws of 1945, Ch. 118 on March 12, 1945, effective July 1, 1945.)

The expenditure of the manpower of any Commission and staff is left to the wisdom of the commission. I personally feel that too many commissions spend too much manpower on so-called public relations or educational functions rather than follow-up reviews, pattern-centered compliance and industry-wide "elimination and prevention" of discrimination.

I agree generally with Dr. Norgren's public policy considerations, and especially the need for a national FEP law. Furthermore, any discrimination law, state or federal, should give the Commission power to: 1) initiate complaints, 2) investigate and correct discriminatory employment patterns, and 3) process individual complaints and make whole any injury done to an individual or the common good.

I also hope that Doctors Marshall and Norgren, will, because of the difficult and delicate nature of their papers, let me supplement their papers with these three statements, namely:

1. Employment discrimination of racial minorities is an intolerable disease that American Democracy must cure immediately or suffer the loss of its world leadership and its battle against Communism.

2. The hypocrisy of Democracy's claim of equality for all people in the face of its patent practices of employment discrimination cannot be cured by putting a man in space or a monkey on the moon. The Fatherhood of God and the Brotherhood of man, which nearly all non-Communist Americans proclaim, is blasphemed by barring employment to anyone because of race, color, creed or national origin.

3. The national tragedy of employment (or any) discrimination against any person because of race, color, creed or national origin cannot be cured by state laws. A national tragedy of discrimination requires a national law against all discrimination.

EMORY F. VIA

University of Wisconsin

My comments on Professor Marshall's paper will fall under four headings: (1) basic approval of the paper regarding fact, temper and patterning; (2) some general criticisms; (3) quibblings and (4) additions.

Basic approval. Almost everyone who is a commentator in the field of unions and racial relations is some sort of moralist—a moralist regarding racial relations. A few of these commentators also have a high regard for empirical fact. We are fortunate that Professor Marshall falls into this category of “also has a high regard.” We may quibble regarding the relevance of certain facts, the interpretation of events, or about basic conclusions. But those interested in this area of research and action owe Professor Marshall a measure of our gratitude for the extensive study of actual situations, the specificity of fact which he has collected, and his attention to interpretation to a wider audience. His present paper reflects only partially his work in this field.

The coverage of union racial practices is still needed to achieve a broader understanding of existing patterns and because they constitute a force at play if in no other way than through social inertia.

Investigation in this field is subject to attack by those who feel defensive about exposure or those who would like to have a more ringing denunciation of practices that fall short of democracy's moral code. Those who feel the investigation is too pathological should note the reminders sprinkled throughout the paper of what unions and their leaders are doing to make democratic policy a reality. Those who desire more bite in the paper's criticism might recognize the values in stating a case that is empirically verifiable and even in temper; such statements have weight of their own, important to both moral judgment and action.

General criticism. Professor Marshall appropriately entitled his paper “some factors” influencing union racial practices. This was the purview of the paper. I would personally have liked more stabs at generalizing from the material at hand. However, there were comments on the difficulties of separating craft from industrial unions regarding racial practices; a few conclusions were made here as to how the classic forms relate differently to the job market and the type

of bargain. A beginning was made in attempting to (1) separate older from newer unions relative to the environment in which each was nurtured, (2) the relevance of Communist competition (the discussion is not complete on this point), and (3) that exclusion is not solely a function of geography. Beyond this little effort was put into a typology. Marshall's wisdom here could spring from either a recognition that there are not enough significant facts to do more or that the subject defies being typed.

More attention might have been paid to general socio-economic forces, if not by enumeration, than by a greater stressing of the part they play as backdrop and as a contributing cause to change or to the failure to achieve change. Similarly, greater emphasis on leadership would have been appropriate, and it would be useful to have more detailed studies of formal and informal internal arrangements of unions as they relate to the problem at hand.

Quibblings. His discussion of the thorny problem of apprenticeships raised the main issues. One can agree that statistics showing no Negro apprentices in some job and/or geographic areas is not proof by itself of discrimination. However, if it is suggested that failure to apply is the "cause," then much more needs to be said because of the arguments that rage about this important point. The question is begged if no reference is made to the determinants of application.

The statement that there is "sufficient historical precedent to validate" an employer's belief that his workers would strike over the introduction of Negroes into the work force may be true. But it is not a sufficient picture for a point that so persistently encumbers moves to get employer changes of pattern.

He explains labor's defensiveness in terms of the conflict between union practice and union policy. Is it not really the conflict with public policy that is at issue; public policy is needed in many cases to raise union policy to a level of consciousness where conflict can be observed.

Many of us would wish for a more refined job of tying down responsibility for discrimination in original hires; but this is aimed at a need felt by all who wish an authoritative debater's manual, and is not really meant to underscore a shortcoming of the paper.

His discussion of Southern reactions is largely to the point. The influence on political alignments is real, but it would be unwise to assume that Negro-labor alliances were very wide spread or that

they were normally on a firm foundation prior to any particular touchstone date in race relations such as 1954 or the onset of sit-ins. Is it possible that what is now being built is of more solid stuff or where nothing is being built that it must await the arrival of newer understandings to be meaningful?

There could be even greater emphasis on the effect of general economic conditions on Negro entry into selected labor markets or on upgrading. It is true that Negroes, as individuals and as a group, frequently feel the sting of technological change and the operation of seniority in a lay-off situation as the last hired. Unions have used the device of seniority to discriminate, but usually the normal and fair application of the rules (if we limit ourselves to a particular work situation) does not mean racial discrimination but that the minority group member is made painfully aware of his low seniority status. However, all would recognize that this situation arises from the long run operation of discrimination in our society.

In discussing the influence of national unions over locals, the importance of national bargains was stressed. An element related to this picture is the character of the bargaining relationship. This factor could determine whether progressive steps are taken in local bargaining situations, or the failure to change local unions or plants, where national bargaining obtains, in spite of national union interest. Certainly there are national bargains which have not yet succumbed to the ideals of non-discrimination, and the comfortableness of the bargaining arrangements would indicate that change would be forestalled until sufficient outside force intervenes.

Additions. (1) Social forces. Innumerable variables could be introduced here. However, it is appropriate to be reminded of such basics as the role that prejudice plays through individuals and in structuring society. The stage of development of the community, racially, frequently is important, though not always crucial, to what happens in local unions. The process of achieving recognition and equality by Negroes in general may dramatically affect groups that share a piece of any race relations dilemma. The demands become greater, more articulate, more urgent. The understanding by majorities of the need for change increases even while resistance to change seems to grow. Most unions have felt this push in some form and few will escape it for long.

(2) Internal union arrangements. There are a number of ques-

tions which might profitably be asked under this rubric. What is the relation between the size of minority membership, the way in which it is organized, and the character of its activity to the solution sought by the local or national union to problems of discrimination? What weight does the union give to the problem of racial relations either because of leadership, minority representation, or ideology? Does it move to (a) establish a non-discrimination policy, (b) hold conferences and educational programs, (c) get reliable feedback from majority and minority members, (d) train its staff or leadership regarding the union and race relations? These are admittedly outward signs, and often a part of the symbolism about which we have been warned. But they are steps toward change and what causes them to be taken is of interest.

The interaction between the local and national union needs to be pursued beyond the central theme of their relations relative to bargaining. The general role of leadership and intra-union communication come immediately to mind as two further elements here. For example, a recalcitrant local might be faced with the serious practical problems indicated by Marshall regarding money and bargaining agency. But what is the role of leadership here? We might ask who sees the future, or more mundanely, who sees *his* future; this factor, coupled with the locus of administrative and bargaining skills with those who could see the future, was a primary reason for the failure of the attempts at secession in the South a few years back.

(3) Organized outside influences. Organizations can play an important role because of their access to particularized publics, governmental agencies, and to specialized information subject to tactical use. The action organizations are not in themselves fundamental causative forces, though it is fruitless to deny their influence on both the pace of change and its character. A part of this picture, of course, is the social dynamics within and among these groups.

(4) Continuing areas of conflict. I would add to those mentioned by Marshall (1) a greatly increased aggressiveness in seeking job opportunities, (2) the demand for change in AFL-CIO internal arrangements to get compliance with policy. A minimum goal under this latter would be a more significant activation of the Civil Rights Department and Committee. These pushes are likely to continue regardless of arguments pertaining to the realities of union structure.

Part V

**IS OUR UNEMPLOYMENT
COMPENSATION SYSTEM ADEQUATE
TO MEET THE NEEDS OF THE
ECONOMY AND THE
UNEMPLOYED?**

PROBLEMS OF FINANCING AN ADEQUATE UNEMPLOYMENT INSURANCE PROGRAM IN THE NEXT DECADE

NORMAN BARCUS

Michigan Employment Security Commission

The medieval Jewish sage, Maimonides, listed seven rungs on the ladder of charity. Without going into details as to specifics, the successive steps up the ladder were predicated upon permitting the recipient to maintain his self-respect, so that at the second highest rung, as listed by Maimonides, neither the recipient of the charity nor the donor knew the other's identity. Surprisingly enough, the topmost rung of the ladder of charity was not to give charity at all. By this, Maimonides meant that the greatest contribution that can be made is to eradicate the need for charity by working for a social and economic order in which poverty would not exist and in which every man would have the opportunity to earn a living for himself and his family.

This advice, given 800 years ago, is still pretty valid. Any social program is seriously incomplete if it aims solely at the alleviation of economic distress, and does not also provide for positive action ultimately to put itself out of business by removing the causes of the social ills with which it deals. Just as the March of Dimes was able to eliminate epidemics of paralytic polio by financing a research program which culminated in the development of the Salk vaccine, so other programs attacking specific problems, whether of a social, economic, or medical nature, have been able, by the proper direction of their efforts, to largely eliminate the reasons for their own existence.

The unemployment insurance system in the United States, in its beginnings, was entirely devoted to the alleviation of unemployment. While hopes were expressed that experience rating would provide incentives for employers to stabilize their own activities and thus earn lower contribution rates, there is little evidence that these provisions have had any important results. The declarations of policy in many of the State laws contain pious injunctions to administrators and employers to study the causes of unemployment and to take steps to reduce its incidence and severity, but the laws themselves provided for the use of unemployment insurance funds only for the payment of benefits. While all of the State laws have, of course, been amended

many times since their enactment, the changes have almost all been in the direction of improvements in the benefit formula and revision of the eligibility, coverage, and disqualification provisions. There have been only a few amendments which have been directed toward doing something positive about the problem of unemployment, either from the standpoint of the prevention of unemployment or from that of reducing its duration and severity by improving the employability of the unemployed worker. A few States have enacted provisions permitting payment of subsistence benefits to unemployed workers undergoing training or retraining, and these have constituted the sum total of the efforts of the States to put their unemployment insurance systems out of business.

However, during the past few years, there have been efforts at the Federal level to enact legislation which would have the unemployment insurance system strike out in new directions. The Area Re-development Act provides limited funds for both the payment of training costs and for subsistence to workers undergoing training. There have been other proposals, which have not yet been enacted, which would provide much more substantial sums for training and which would also provide for relocation payments to enable workers to move from areas of high-level unemployment to those of labor demand. The Federal Government has also stepped in on two occasions, during the recessions of 1958 and 1961, to provide funds to extend the duration of benefits for workers whose claims under State laws had been exhausted and who were still unemployed. The 1958 Temporary Unemployment Compensation (TUC) program was based on repayable loans from the Federal Government to the States, but the 1961 Temporary Extended Unemployment Compensation (TEUC) program does not require the repayment of the funds advanced to the States for the payment of extended compensation.

There seems little doubt that we may expect a further development of the State-Federal unemployment insurance system in the direction of much more positive action to reduce both the incidence of unemployment and its duration through such means as training and relocation subsidies. I think we can also take it for granted that some permanent method of extending benefits, at least during periods of high unemployment, will be enacted in one form or another, and I feel it is also safe to predict that, perhaps at some later time, there will be an enactment of Federal benefit standards. Also

in the cards is the extension of coverage to employers of one or more and to workers in industries now exempt, such as non-profit organizations and agriculture.

These changes, which I feel are inevitable, will, of course, make the unemployment insurance system rather more expensive than it is today. While, when measured against the high levels of personal income of the past few years or against gross national product, the unemployment insurance program accounts for only a fraction of 1% of the total even during years of recession, it must be admitted that from the standpoint of the individual employer in such States as Michigan or Pennsylvania or California, unemployment insurance has developed into a rather costly matter. The cost of benefits has constituted a steadily increasing percentage of covered payrolls. Chart I shows unemployment cost rates, expressed as a percentage of total covered payrolls, from 1950 through 1960. As will be noted, there has been a steady upward trend in this rate for the past ten years. The two graphs in this chart show the cost rates for the ten largest States, which include all the States having a covered labor force in excess of one million, and for all the other States. The pattern of the two graphs is, as might be expected, very similar, with the average cost rates in the ten largest States consistently higher through most of the period than the average for all of the smaller States. In 1958, the cost rate of the ten largest States was 2.2% of total payrolls, a rate which corresponds to about 3.8% of taxable payrolls. For some States the cost rates were substantially higher than this average. In Michigan, costs in 1958 were 3.7% of total payrolls and in excess of 6% of taxable payrolls. In Pennsylvania, the cost rate exceeded 3% of total and 4.7% of taxable payrolls. Even in a relatively good year, such as 1959, benefit costs exceeded 1% of total payrolls in a number of States, and were around 2% in Pennsylvania. Experience in 1961, while not comparable with that of 1958, has been very bad indeed. Expenditures in Michigan by the end of July had already exceeded those of any previous year except 1958, and costs for the full year will approximate 2% of total payrolls.

To meet these rather high costs, many employers are now subject to payroll taxes so great that they may be among the factors entering into decisions on plant location when alternative sites are under consideration. An employer subject to the maximum contribution in Michigan must now pay 4% in regular contributions, and a 0.5%

CHART I

BENEFITS AS PERCENT OF TOTAL PAYROLLS ANNUALLY, 1950-1960

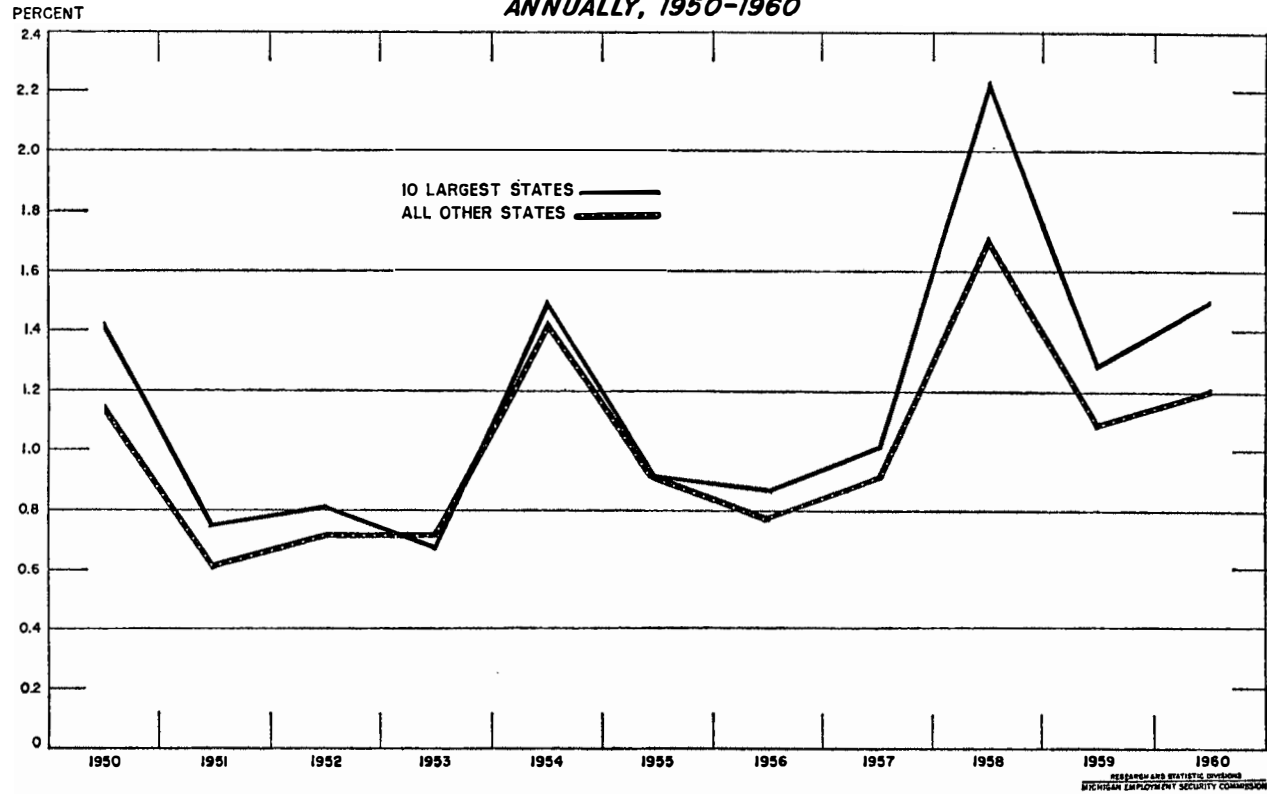


TABLE 1
Ratio of Benefits and Reserves to Total Wages
U. S. and Ten Largest States
1956-1960

<i>State</i>	<i>Ratio of Benefits to Total Wages</i>						<i>Ratio of Year-end Reserves to Total Wages</i>				
	<i>Five-year Total</i>	<i>1956</i>	<i>1957</i>	<i>1958</i>	<i>1959</i>	<i>1960</i>	<i>1956</i>	<i>1957</i>	<i>1958</i>	<i>1959</i>	<i>1960</i>
U. S.—Total	1.30%	0.84%	1.00%	2.05%	1.22%	1.40	5.21%	4.99%	3.99%	3.57%	3.29%
Ten Largest States—Total	1.38	0.87	1.01	2.23	1.29	1.50	4.91	4.70	3.57	3.15	2.86
New York	1.47	0.97	1.06	2.14	1.64	1.51	5.95	5.80	4.79	4.13	3.80
California	1.27	0.61	0.87	1.86	1.06	1.83	5.95	5.73	4.71	4.41	3.80
Pennsylvania	1.91	1.26	1.46	3.02	1.95	1.90	3.01	2.59	0.99	0.64	0.52
Illinois	0.94	0.49	0.61	1.70	0.94	0.96	3.83	3.83	2.83	2.34	2.52
Ohio	1.24	0.52	0.70	2.44	0.97	1.61	5.35	5.09	3.65	3.16	2.42
Michigan	1.86	1.58	1.36	3.69	1.38	1.46	3.13	3.02	0.98	0.95	1.06
New Jersey	1.80	1.46	1.71	2.62	1.63	1.61	6.71	6.10	5.03	4.43	4.13
Texas	0.64	0.34	0.44	0.97	0.67	0.75	4.46	4.24	3.73	3.38	3.20
Massachusetts	1.43	0.77	1.24	2.04	1.31	1.73	5.43	5.24	4.26	3.84	3.22
Indiana	0.98	0.75	0.77	1.73	0.74	0.95	4.38	4.20	3.49	3.28	3.04
All Other States	1.16	0.78	0.97	1.71	1.09	1.21	5.80	5.54	4.76	4.35	4.09

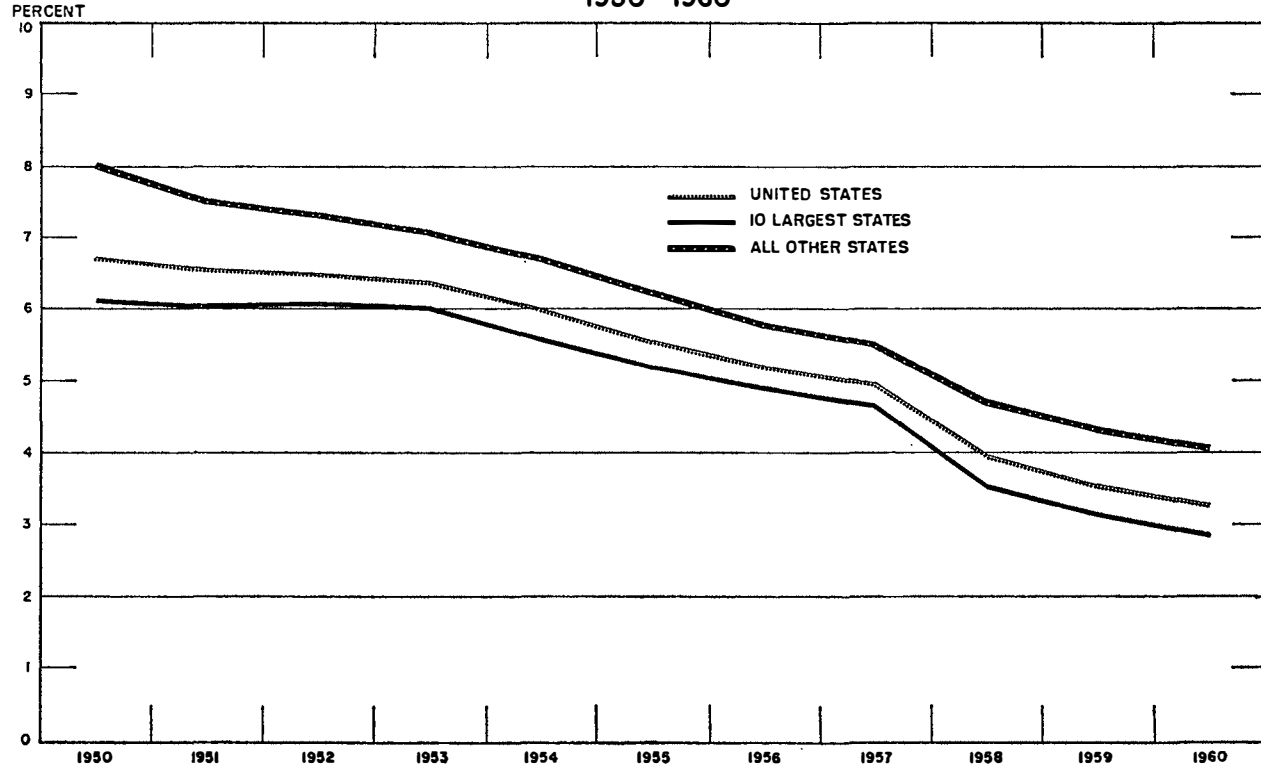
solvency account contribution, plus 0.8% in Federal unemployment insurance taxes, for a total of 5.3% of taxable wages. In addition, the Federal tax will be increased progressively, beginning with 1962 payrolls, if Michigan's 1958 loan of \$113 million has not been repaid by November 1962, with an additional progressive increase beginning with 1963 wages if the debt owed by Michigan because of its participation in the 1958 program of temporary unemployment compensation has not been repaid by November of 1963. Some Michigan employers will be contributing at a total rate in excess of 6% on 1966 payrolls (assuming no change in the present Michigan taxing formula and reduction of the Federal tax to its regular level of 0.4%).

These figures suggest that direct taxes on employers for the purpose of financing unemployment insurance are approaching the point where it will not be feasible to increase them appreciably. At the same time, as Chart II indicates, the ratio of reserves to total wages has been declining, through good years and bad. Thus, State funds are unlikely to grow rapidly, even if no further improvement in the program or additions to it occur. That this latter assumption is highly unrealistic is indicated not only by the past history of the unemployment insurance program, but also by the recommendations which have already been made by the present Administration and its spokesmen in the Congress.

The King Bill, HR-7640 of the 87th Congress, provides some clues to the thinking of the Administration with regard to the improvement of the Federal-State unemployment compensation system. Briefly, this Bill provides for making permanent the 1961 program of extended benefits, together with the extra 0.4% payroll tax enacted for a temporary period to finance the 1961 TEUC program; for the institution of a Federal benefit standard under which the maximum weekly benefit in each State would ultimately be equal to at least 66 $\frac{2}{3}$ % of the State's average weekly wage in covered employment; for the increase in the taxable wage base to \$4800; for the extension of coverage to employers of one or more workers and to non-profit organizations and other groups not now covered; for denial of certification of State laws whenever such laws do not permit the payment of benefits to workers while undergoing training or retraining in an approved course; and for a program of cost equalization.

The program of extended benefits would differ from that in effect in 1961 in that some workers would be eligible to receive extended

CHART II
YEAR END RESERVES (EXCLUDING LOANS) AS PERCENT OF TOTAL PAYROLLS
1950-1960



benefits even during non-recession periods. A worker could receive extended benefits at any time upon exhaustion of his State entitlement if he had demonstrated a continuing attachment to the labor force by having been employed in covered employment during not less than 78 out of the 156 consecutive weeks (or 12 completed calendar quarters) immediately preceding his most recent benefit year with at least 13 weeks in each of the three 52-week (or 4-complete-calendar-quarter) periods in the "base" period. For other workers, additional benefits would be payable only during extended duration periods which would be proclaimed whenever the total number of final benefit payments in all States in a three-calendar month period exceeded 1% of total covered employment in the Country and the total rate of insured unemployment in each month of the three-month period was at least 5% of total covered employment.

The cost equalization program would reimburse States in which benefit costs exceed 2.7% of taxable payrolls or the average cost rate for the entire Country, whichever is higher, in the amount of two-thirds of such excess. These amounts would be computed on a calendar-year basis and States would be eligible only if their laws had been approved as meeting Federal standards, including the maximum benefit rate and training provisions already mentioned.

The Bureau of Employment Security of the United States Department of Labor has estimated that if HR-7640 had been in effect in 1960, costs for the entire Country would have been 12% higher than they actually were if the maximum weekly benefit amount in each State was at least equal to 50% of the average weekly wage; and would have been 25% higher if the ultimate objective of maximum benefit rates equal to two-thirds of each State's average weekly wage had been in effect. For some States, the increases would have been much higher, ranging, for the 66⅔% standard, up to 84% in Alaska, 45% in Indiana, 66% in West Virginia, and 35% in Michigan, just to mention a few of the States which would have been greatly affected. The increased costs would have been met to only a small extent by equalization grants. Table 2 shows what the effects would have been in Michigan for the five years 1956 through 1960. Actual benefit expenditures during these years totaled \$887 million in Michigan, 1.86% of total covered payrolls and 3.25% of taxable payrolls on a \$3000 base. If the 66⅔% standard had been in effect throughout this period, total benefit expenditures would have increased by

TABLE 2

Michigan Benefit Expenditures and Cost Rates, 1956-1960 and Effect of Benefit Standard Provisions of HR-7640 (King Bill)
(All dollar amounts in millions)

	<i>Benefit Costs</i>	<i>Benefit Costs as Percent of</i>			<i>Increased Costs on</i>	
		<i>Total Payrolls</i>	<i>Taxable Payrolls</i>		<i>Indicated Dollar Amount</i>	<i>Standard Percent</i>
			<i>\$3000 Base</i>	<i>\$4800 Base</i>		
Michigan benefit expenditures and cost rates, 1956-1960....	\$ 886.7	1.86%	3.25%	2.29%	.....	.....
HR-7640 Standards						
Maximum weekly benefit equal to:						
50% of State average weekly wage.....	1,099.5	2.31	4.03	2.84	\$212.8	24.0%
60% of State average weekly wage.....	1,170.4	2.46	4.29	3.02	283.7	32.0
66 $\frac{2}{3}$ % of State average weekly wage.....	1,197.0	2.51	4.39	3.09	310.3	35.0

more than \$310 million, to 2.51% of total payrolls, and 4.39% of taxable payrolls on a \$3000 base. However, since costs in all of these years except 1958 would have been less than 2.7% of taxable payrolls on the contemplated \$4800 base, and since, in 1958, the national cost rate exceeded 2.7%, actual equalization payments to Michigan would have totaled less than half of the additional costs resulting from the enactment of HR-7640.

The equalization feature of the King Bill therefore would not be very effective in reducing costs to employers in Michigan, and *a fortiori* to employers in other States, such as Pennsylvania, West Virginia, or Washington, since the likelihood of costs reaching 2.7% of payrolls on the expanded base would be less for these States than it is in Michigan, in view of that State's relatively greater fluctuations in employment. Furthermore, the years in which the benefit expenditures would be high enough to result in reinsurance grants would generally be years of high cost rates throughout the Country, with a good possibility of the national average rate exceeding 2.7%, so that whatever reinsurance grants were payable would be figured from the higher base. It is therefore necessary to arrive at some other method of financing these added costs if the taxes on employers in these States are not to reach quite impractical levels. Throughout this discussion, it should be borne in mind that the added costs referred to are only those resulting from the increase in the national weekly benefit rate and do not take into account the cost of the permanent program of extended benefits which would be met by the Federal government out of the 0.8% tax on covered payrolls.

One possibility is a program of reinsurance of catastrophic costs, under which a State would be reimbursed all or part of its excess costs over its average costs during some base period. For example, a reinsurance fund might be established out of which States would be reimbursed for costs exceeding, say, 160% of their own average costs during a five-year moving base period. The trouble with this system is that years of very heavy benefit expenditures continue to exert a strong influence on the average until such years drop out of the base period. The average cost in Michigan, for example, would have to rise to 3% of total payrolls in 1961 before any catastrophic reinsurance payment would be available, because of the effect of the very high benefit expenditures in 1958. If the highest of the five years were omitted, the average might be reduced sufficiently to per-

mit reimbursement from the reinsurance fund at substantially lower levels of expenditure. Alternatively, a system of cost equalization, such as is proposed in the King Bill, would be much more effective if the critical point of costs, above which equalization grants would be payable, were to be established at a lower level, such as 2% of taxable payrolls.

Up to now, we have been discussing the financing of unemployment insurance expenditures which are directed only to the alleviation of unemployment and have not taken into account prospective developments in the program designed to meet Maimonides' dictum. If we are to mount any effective attack on the basic problem of unemployment and institute measures that would prevent it or reduce its severity, costs could rise to much higher levels. Under this type of system, it becomes pertinent to ask whether financing should not be entirely divorced from payrolls. Certainly, so long as we are merely alleviating unemployment by payments for a relatively short period, payroll taxes and experience rating would appear to be appropriate. However, when benefit payments under an extended program cover periods of unemployment far removed in time from the employment out of which the presumptive entitlement to benefits has arisen, and when subsidies for retaining and relocation get into the picture, regressive payroll taxes should be depended on, if at all, only to the extent that "normal" periods of frictional or cyclical unemployment are involved. "Normal" is a word I use with apology, because I have no definition for it in this context, other than to say that the definition for any particular State at any particular time should take into account the current and prospective economic circumstances.

There are several alternatives to the present financing system based entirely on payroll taxes. Probably payroll taxes will, for at least the immediate future, remain the major or sole financing source for "regular" benefits payable for a "normal" period of unemployment. Even for this limited purpose, however, some form of reinsurance or cost equalization should be instituted to protect the solvency of the unemployment insurance funds of States peculiarly susceptible to large-scale unemployment because of their industrial structures. For programs of extended duration, such as TUC, TEUC, and the program which is contemplated by HR-7640, and for special programs administered by the States for retraining and relocation, financing should be out of general funds, or out of earmarked funds derived

TABLE 3
Michigan Benefit Expenditures under Benefit Standards Provisions of HR-7640 and Equalization Grants Annually, 1956-1960
(All dollar amounts in millions)

Year	Estimated Benefit Costs	Estimated Costs as Percent of Taxable Payrolls \$4800 Base	Computation of Equalization Grants Based on Costs in Excess of 2.7%			Computation of Equalization Grants Based on Costs in Excess of National Cost Rate*			
			Excess Cost		Equali- zation Grant	Excess Cost		Equali- zation Grant	
			Dollar Amount	Percent		Dollar Amount	Percent		
Maximum weekly benefits equal to 50% of State average weekly wage:									
1956	\$ 186.1	2.28%							
1957	164.1	2.03							
1958	\$ 401.6	5.58	\$207.2	2.88%	\$138.1	\$180.4	2.51%	\$120.3	
1959	164.9	2.17							
1960	182.8	2.37							
Total	1,099.5	2.84							
Maximum weekly benefits equal to 60% of State average weekly wage:									
1956	\$ 198.1	2.43%							
1957	174.6	2.16							
1958	427.5	5.94	\$237.7	3.24%	\$158.5	\$206.7	2.87%	\$137.8	
1959	175.6	2.31							
1960	194.6	2.52							
Total	1,170.4	3.02							
Maximum weekly benefits equal to 66⅔% of State average weekly wage:									
1956	\$ 202.6	2.48%							
1957	178.6	2.21							
1958	437.2	6.07	\$245.2	3.37%	\$163.5	\$215.8	3.0 %	\$143.9	
1959	179.6	2.36							
1960	199.0	2.58							
Total	1,197.0	3.09							

* 1958 National cost rate estimated at 3.07% of taxable payrolls on \$4800 tax base.

at least in part from sources other than payroll taxes. It has been suggested, for example, that benefits beyond exhaustion of regular State compensation payments could be financed by a tripartite contribution of one-third cent or one-half cent per hour by the worker, the employer, and the Federal Government. Such a fund, it is claimed, would be sufficient to pay benefits for an indefinite period.¹

The present system of loans out of the Federal unemployment account is not satisfactory since it saddles the employers of a State which is forced to resort to loans with a rapid increase in Federal contributions during a period in which State taxes are necessarily high to rebuild the unemployment compensation fund. It has been very difficult for States to repay loans which were made under the repayment provisions in effect prior to the recent Social Security amendments which shortened the period of repayment and doubled the rate of reduction of offset against the Federal unemployment tax. Under the present loan provisions, the solvency of State funds may be maintained at the cost of the solvency of employers, or, alternatively, the State Legislatures may be reluctant to enact needed increases in employer taxes to rebuild the State funds at a time when Federal taxes are rising. The loan provisions may therefore act as a deterrent to proper State financing. I do not regard these alternatives as reasonable or as consonant with the objectives of the unemployment insurance program.

¹For further discussion of financing extended duration, see the author's statement contained in Interstate Conference of Employment Security Agencies, *Report of Benefit Financing Committee*, October 1961.

UNEMPLOYMENT INSURANCE AND THE CHALLENGE OF THE 1960's *

PHILIP BOOTH

Bureau of Employment Security, U. S. Department of Labor

After a quarter century of unemployment insurance in this country, we find that the program is being scrutinized more soberly and critically on all sides than ever before in its history. Employers, unemployed workers receiving benefits, economists, administrators, and public at large find much to praise and much to complain about.

On the one hand, we are not protecting enough people for long-enough periods, or through large enough weekly amounts; on the other hand, we are paying benefits to people who shouldn't get them at all, for periods which are too long, or in amounts which are too high. Other pertinent questions concern the division of responsibility between Federal and State governments, the financing of benefits and administration, and the functioning of 52 systems (including Puerto Rico and the District of Columbia) in dealing with a nationwide problem.

Many criticisms overlook the effective role which the program has played, in good times and bad, over the last quarter-century, as a first line of defense against unemployment, in contrast with the measures available before the system came into being. They also appear to ignore the bargain price which we pay for this protection—probably not more than 3 cents per man-hour—as compared to the payroll-hour cost of many less basic fringe benefits.

Certain criticisms of the program's deficiencies may be attributed, in part, to difficulties which an affluent society finds in accepting the notion of large-scale or long-term unemployment. General prosperity and rising living standards, especially in a population which includes many people who have never experienced long-term unemployment, produces some lack of understanding of the problems of the unemployed. That this handicaps the consideration given remedial measures is manifest; on the other hand, impatience with large-scale and extended unemployment is healthy. To accept it as natural could dull our efforts to find and carry out solutions to unemployment problems.

This wide interest is the more understandable when we take note

*Views expressed in this paper are those of the author and do not necessarily reflect the official views of the Department of Labor.

of the high levels and long duration of unemployment discussed in other papers given at these meetings.

The challenge facing the system is not, basically, a new one, although many of its aspects have changed during the past quarter-century. It remains, however, essentially the question of how the system can more effectively achieve its two major goals: (1) to protect unemployed workers and their families against the hardship caused by loss of wages, and (2) serve as an economic stabilizing device by shoring up purchasing power.

Within these major goals, the following corollary goals will be discussed: To cover, so far as feasible, all workers subject to the risk of involuntary unemployment; to admit to benefits those unemployed who have demonstrated a recent and substantial attachment to the covered labor force and are currently actively in the labor force; to provide eligible claimants sufficient weekly income in relation to wages so that their living standards are not undermined, and for a sufficiently long period to insure most of them protection through periods of temporary unemployment.¹

These goals, it must be noted, are to be achieved within a framework of other measures for dealing with unemployment, which, in turn are affected by the presence (or absence) of other private and public arrangements for dealing with the whole array of contingencies which create dependency by cutting off wage income: disability, death, old-age, maternity, invalidity, and family size, itself, when related to wage income.

ECONOMIC AND LABOR DEVELOPMENTS AFFECTING THE UNEMPLOYMENT INSURANCE PROGRAM

Changes taking place in the composition and mobility of the labor force affect the system's effectiveness. Participation of older men has decreased, while older women and part-time workers are employed in greater numbers than ever before; this is expected to continue. The employment prospects of unskilled workers are declining, in comparison to skilled workers, technicians, professional and service workers. Older workers, youths and nonwhite workers tend to become unemployed in greater numbers, for longer periods, or both, than the rest of the working population; the effectiveness of the un-

¹Mr. Slavick's paper discusses the extent to which these goals have been achieved; see also, S. J. Blaustein, "The Challenge Facing the Unemployment Insurance System" *Monthly Labor Review*, March 1961.

employment insurance system for them is far from satisfactory, and the need for special arrangements to deal with their unemployment and benefit protection calls for renewed examination. This is also necessary for displaced workers who have worked in more than one State, and wish to utilize benefit rights acquired in such States.

Closely related problems growing out of participation of women in the labor force concern their employment in occupations and industries where work opportunities have not permitted year-round employment. Better information on employment, earnings, and unemployment patterns of those who engage in seasonal work would make it more feasible to assess the extent to which the system can be utilized effectively to deal with their unemployment and underemployment problem. Because of the growing tendency toward year-round employment in many types of work formerly available for shorter periods we may learn that our seasonal worker "problem area" may be on the decline.

The heavier incidence and duration of unemployment among the nonwhite sector of our working population is getting more attention, as it should. As competitors in the labor market, too many Negroes have been handicapped in basic educational and occupational skills, training, and work experience. Since a higher proportion are unemployed for long periods, their benefit rights are less likely to carry them over between jobs, especially of irregular work and lower wages have built up lesser benefit rights.

Workers under 25 as a group in our labor force are also among those least protected by unemployment insurance, probably because they have not worked long enough in covered employment. Perhaps as many as half of the unemployed workers not receiving benefits are under 25 years old.

SOME LIMITATIONS AND INTERRELATIONSHIP

The system has never presumed to cover the unemployment protection of all wage and salary workers subject to the risk of involuntary unemployment. Work and wages in only 3 out of 4 jobs give rise to benefit protection. To qualify, a minimum number of weeks or of wages in such jobs is required in a recent year, ordinarily the equivalent of 14-20 weeks. In addition, a minimum period of time must have elapsed since he first worked in covered employment—usually 9-12 months, although often much longer.

As a short-term risk program, protection cuts off automatically at a maximum of 1 to 2 years, generally speaking, after the date of last earnings in insured work. Unemployment arising from disqualifying causes leads to suspension of payments, or cancellation of benefit rights, and periods of unavailability for work or inability to work are also not compensated. Lost wages are compensated, generally, up to 50 percent, on a weekly basis, and not at all, beyond a stated period—mostly 5-6 months.

What this adds up to, then, is a system covering most but not all wage and salary workers, and protecting those whom it does cover for less than all the unemployment periods they experience, and for a limited part of their wage loss. Thus, out of any 100 unemployed persons in a given week, the number receiving benefits has varied from about 40 in good years to 65 in periods of heavier unemployment.² (See Table 1.) The most recent estimates indicate that \$1 out of every \$5 in aggregate wage loss was compensated over a recent 12-year period.³

We should also take note of the contribution—or lack thereof—of other measures. So far as unemployment is concerned, some 2 to

² S. J. Blaustein, "The Challenge Facing the Unemployment Insurance System," *op cit.*

³ R. A. Lester, "The Economic Significance of Unemployment Compensation, 1948-1959," *Review of Economics and Statistics*, November 1960.

TABLE 1

Estimated Distribution of the Unemployed by Unemployment Insurance Protection January 1958, January 1961 and September 1961
(Millions of Workers)

<i>Unemployment Insurance Protection</i>	<i>January 1958</i>	<i>January 1961</i>	<i>September 1961</i>
Total unemployed.....	4.5	5.4	4.1
Receiving UI benefits.....	2.7	3.2	2.0 ^b
Not receiving benefits.....	1.8	2.2	2.1
Unemployed UI exhaustees.....	.4	.5	.4
Workers not covered by UI ^a.....	.8	.9	.5
New entrants and reentrants to the labor market.....	.5	.6	.9
Disqualified or did not file for UI benefits.....	.2	.2	.3

^a Includes some 100,000 formerly self-employed and unpaid family workers.

^b Includes some 400,000 receiving temporary extended unemployment benefits.
Note: Because of rounding, sums of individual items may not equal totals.

3 million workers are protected by severance and supplementary unemployment benefit plans.

We have a State-Federal system of public assistance with only a minor degree of overlapping with unemployment insurance. Public assistance is not available, in many States, for families with employable workers. It may help some families who become dependent because of unemployment due to disability and sickness, not work-connected, because wages lost due to this cause are not compensated by social insurance, except in four States.⁴ Collective bargaining makes such protection available in some establishments, although often at unsatisfactory levels.

The program is criticized when unemployment benefits are paid to claimants who are temporarily sick or disabled, under legal provisions (in a few States) authorizing these payments as long as the worker became unemployed because of lack of work, but only for weeks when his disability did not prevent acceptance of offered work. In the absence of sickness insurance for dealing with this contingency, the existing institution of unemployment insurance tends to be utilized to deal with this recognized problem, although incompletely, when it would otherwise remain unmet.

The interrelationship between unemployment insurance and pensions has become more important as the number of workers over age 60 and 65 who are working, or are seeking work when not working has increased, along with the number of those entitled to either or both public and private pensions. Under Federal and State law, certain pension payments are ignored while others lead to reduction or denial of unemployment benefits,

Where pensioners have retired voluntarily, payment of unemployment benefits to them raises knotty questions, whether the pension is public or private, is financed in part by worker contributions, and is large enough to avoid undermining of living standards. As a personal view, it appears reasonable to consider receipt of a pension upon voluntary retirement with no subsequent employment, as raising a presumption, (although a rebuttable one) that the recipient has withdrawn from the labor force; the presumption could be rebutted by reemployment or other evidence of bona fide labor force attachment.

This point, however, relates to only a part of a more complex

⁴ In addition, railroad workers are protected under the Railroad Unemployment Insurance Act.

problem. More satisfactory arrangements to deal with duplication will await clarification of the responsibilities of existing public and private measures for retirement, old-age, and unemployment and the effective assumption of these responsibilities.

A FEW MAJOR ISSUES AND CHOICES

Who shall be protected?—This basic question involves, at least, two main parts: First, what occupations and industries, and what kinds of work in them shall give rise to benefit rights; and, second, how much recent employment and/or earnings in such work shall be regarded as sufficient evidence of an unemployed worker's attachment to the labor force to make him eligible for benefits. Let us look, first, at the effect of the exclusion of work in some 14 million jobs, referred to in Mr. Slavick's paper.

Our work force does not split itself neatly into homogeneous and disparate groups—those who have had no work in insured jobs during the prior year, and those who work exclusively in insured jobs. Because of employment turnover and the movement in and out of insured employment, considerably more than 14 million people work in these jobs during the course of the year, possibly another 4 million. The effects on unemployment insurance of such movement are widespread even though most of the workers concerned do work entirely outside the scope of presently covered jobs, and acquire no benefit rights.

A substantial number, yet, do work in covered jobs for part of the year. To close existing gaps in coverage, referring here only to the more than 5 million jobs in agriculture, nonprofit organizations, and small firms, benefit protection would result, for the first time, for several millions who work entirely in these jobs, and fuller protection would be achieved for others who move from excluded to included jobs, and vice versa. Another \$10 billion in wages would then form the basis of benefit rights. All this would take place with no changes in existing benefit provisions. The months of work and the wages now recognized as insured employment for these workers would have turned into longer periods of insured employment, and larger amounts of their wages would be recognized for benefit purposes. Those whose work only for a few weeks or months per year, however, would probably acquire no benefit rights, as at present.

Turning to qualifying requirements, it may be granted that existing

requirements in may State laws do not limit the system's protection to only those persons who have had substantial earnings and work in insured employment. This is the case, especially, when such requirements are expressed as at least \$250, \$300 or even higher flat amounts of earnings in the past year; somewhat less so, when expressed as a multiple of high-quarter earnings or of the weekly benefit amount. Requirements such as these have been made somewhat more exacting over the past decade to reflect higher benefit amounts, longer duration, or to exclude workers with only marginal attachment to insured work. This has been done, also, to exclude workers who work only in peak seasonal periods, and have no other insured work.

These scattered and diverse attempts reflect the absence of agreement upon clear-cut concepts of who should be admitted to protection and on what basis, expressed in terms of minimum periods of recent past employment and earnings.

No single uniformly applicable requirement, whether expressed in dollars, weeks, or other terms can limit the program's protection only to those whom all of us would agree should be protected. Any such requirement *has to be arbitrary* in the face of the varied pattern of work and earnings among those who work in insured employment.

The goal of protecting workers who, for the most part, earn their livelihood through working for others could better be achieved, in my view, by use of qualifying requirements of about 20 weeks in the past 52, assuming a reasonable definition of a week of work and more nearly universal coverage.

It should be noted that some of the interest in more rigorous requirements arises from the notion that more exacting requirements as to past attachment would automatically solve difficult administrative problems concerning a claimant's present labor force attachment. Put another way, it is hoped that perplexing questions as to a claimant's current availability for work can be taken care of by more exacting requirements of base-period employment and earnings. Experience provides little support for this. A worker with sixteen weeks of work in the past year may be currently available for work, in every sense of the term, while this may not be the case for another with, say 50 weeks of work in each of the past 5 years.

Why, then, have not more States moved to exclude all marginally attached workers from the system, by adopting substantially more exacting requirements? Let us look at some of the choices as they

have appeared to the employers, unions, State administrators, Governors, and State legislators concerned with finding solutions to this question.

Granting that provision will be made for workers and their families who suffer hardship when out of work, what sources of income support are open to them? The employer, to be sure, is under pressure to provide wage continuation, or guaranteed work or wages to his hourly and piece-rate workers, as he has been doing for his white collar staff. But the potentialities of this solution, are not likely to affect those workers who barely qualify today for unemployment benefits. For them other avenues have to be explored.

There remain unemployment insurance, public assistance, and private welfare. Private welfare, to take this first, increasingly provides services but not income maintenance.

As already mentioned, general assistance does not provide a satisfactory solution, especially since families which include employable members are not eligible in nearly 20 States. Besides, it is financed, generally, from local or State revenue sources, already strained to meet educational, health, and a host of other burgeoning needs. While the recipient finds the application of the means test a painful procedure, general assistance often pays higher amounts to families than the wage-related unemployment insurance benefit. Recent unemployment insurance legislative history suggests, moreover, that legislators have actually loosened up on qualifying requirements, as they did in New York a few years ago, after those excluded by a more exacting requirement were able to make a persuasive argument for relaxing it. To the extent that more exacting requirements would exclude many workers who now receive some protection, even though little above the minimum, there appears to be little disposition to move the burden of any resulting dependency to a public assistance system which is not equipped to accept it. Opinions will differ on whether or not this justifies the continued, though inadequate, protection of these workers under unemployment insurance.

Would it not enhance the possibility of drawing a clear-cut line between those who should be provided for by public assistance and those who should be covered through unemployment insurance, if, in applying the qualifying tests, we could take account of all of the work history of the workers concerned? And for those not protected by unemployment insurance, we should take action to improve their

labor force potential along the lines recently recommended by the Department of Health, Education and Welfare.

FOR WHAT DURATION OF BENEFITS?

The duration provisions of existing State laws are still inadequate for dealing with the increasing volume of long-duration unemployment. Most seriously affected are those with lesser education, skill and experience, or with obsolete skills, members of minority groups, older workers, and those who face obstacles in moving to other localities or occupations.

While States now provide longer duration of benefits than 10 years ago, at least 1 million claimants have exhausted their rights in each year since the end of 1957; more recently, nearly one out of three. In 1958, and again this year, Congress supplemented the duration of benefits of those who had used up their rights under State law. The fact that as of some 6 months after the start of the 1961 TEC program more than 90,000 workers were still out of work when they used up their TEC rights has led to proposals for a further extension of this program beyond July 1, 1962. Increasing concern about the unemployment outlook is leading to the multiplication of proposals for longer periods of unemployment benefits.

The Administration's unemployment insurance proposal (HR 7640) introduced earlier this year, calls for a Federal stand-by program for supplementing State benefit duration by a maximum of 13 weeks during recession periods, together with extended duration for workers with a history of regular work over a period of several past years at any time.

If measures for extending unemployment benefits, for stimulating training and for aid to communities and industries in promoting job opportunities are to be effective, such as the Area Redevelopment Act and the proposed Manpower Development and Training Bill, they must support one another in a coordinated fashion. In particular, unemployment insurance and other income maintenance programs must support training, retraining and similar programs for increasing the employment potential of unemployed workers. No constructive long-term solution lies in the continued payment of unemployment benefits to provide income support. When benefit payments terminate, however, adjustment to labor market requirements still remain. To deny regular unemployment benefits, as many States do, to workers

who enter training courses so as to improve their chance of finding work, even when they do so at the suggestion of the same agency which has denied them benefits, places these programs at cross purposes. Correction of this anomaly appears elementary.

For many workers, the preferable choice would seem to be more effective assistance in finding work, or in such education, training, or relocation as would facilitate their reemployment.

In addition, a basic foundation of minimum protection needs to be provided workers in all States. The large numbers who use up their benefits even in good years, in States which provide less than 6 months protection, point to a floor set not below this level. Potential rights to such protection should be assured to those who meet a reasonable qualifying test—say 20 weeks of work. A lesser period of protection, perhaps 20 weeks, might be assured those who meet a lesser requirement such as 15 weeks of work.

Beyond this, longer duration of benefits than 6 months (perhaps 13 to 26 weeks) is necessary under recession conditions, whether of nationwide or lesser scope. During a nationwide recession extended duration ought to be available automatically for all who have exhausted benefit rights under State law and are still out of work. For long experienced workers displaced because of technological change or similar causes, longer benefit protection needs to be available whenever normal duration of benefits is insufficient to carry them over until they have found another job. Such benefits, when coordinated with training, retraining, and relocation programs, could increase their effectiveness in promoting more complete utilization of our manpower resources. Payment, consequently, might well be conditioned upon acceptance of referral to training. To condition payments upon willingness to move to another locality would be questionable, unless relocation were aided by allowances to help cover moving costs and of maintaining two households, where the wage earner precedes his family to the new work location.⁵

Finally, where all efforts of industry, labor, and government are unsuccessful in reducing unemployment levels to a stage which is consistent with national goals, then, Government, whether Federal, State, or both, must consider public works and/or work relief projects (as preferable to public assistance) to maintain skills and to fill long-

⁵ Such inducements have been commonplace in transfers of professional, technical, and office personnel.

existing needs for schools, hospitals, clinics, recreational facilities, and other public needs.

Strengthening of our public assistance program is needed, as already mentioned, by tying it closely to training and other rehabilitative measures thus making long-term savings in human resources by helping dependent persons become productive members of the labor force.

AT WHAT WEEKLY BENEFIT AMOUNT?

One of the major weaknesses of the system has been the failure of weekly benefits to keep pace with rising wages. This weakness has been pointed up by Committees of Congress, the Council of Economic Advisers, the Committee on Economic Development, labor organizations and others.

General agreement exists, I believe, that unrealistically low statutory ceilings on weekly amounts have been the major obstacle to achievement of the system's goals. While maximums have gone up, they were so low on January 1, 1961 in 46 States that workers at the Statewide average wage or higher, got a benefit of less than half of their wages. In more than 30 States, more than half the beneficiaries, even 3 out of 4, receive this fixed maximum.

When increasing weekly payment levels, the public is concerned that benefits not be so high as to weaken work incentives. Recent studies of benefit adequacy indicate that an increase in State maximums would benefit household heads to a far greater extent than single claimants and so-called secondary wage earners.⁶ In four of the six cities with comparable data, only 15 to 33 percent of the household heads were getting benefits of half or more of their gross wages, in contrast to 40-64 percent of the secondary wage earners. Since about 40 to 75 percent of the principal wage earners were getting the statutory maximum, as compared to 10 to 33 percent of the secondary wage earners, most of those who would benefit from a higher statutory maximum would be primary wage earners. While some regard dependents' allowances as the answer to low maximum weekly benefits for family heads, these serve their purpose best, in my view, as a supplement to adequate basic benefits, rather than as a substitute for them.

⁶ Bureau of Employment Security, "Unemployment Insurance and the Family Finances of the Unemployed" U. S. Department of Labor, BES Publication No. U-203, July 1961, pp. 65-67.

A number of States are keeping statutory maximums from falling behind rising wages by automatic adjustments to wage levels. This number is increasing too slowly to enable the program to achieve its purpose in the near future. Maximums of two-thirds of the average wage, by enabling higher-paid workers to obtain a wage-related benefit, would permit the program to protect family security more realistically and keep up community buying power.

Here, as in other legislative areas, advances in one State are held back because of the fear that higher benefits and higher costs would adversely affect the ability of the State to attract and retain businesses seeking a "favorable business climate." The enactment of a uniform Federal tax in 1935 has not been successful in averting this adverse effect. Thus, it is not surprising that the Congress has been asked to assure a floor under weekly benefits in all States, to permit the system to play its role more effectively.

CONCLUSIONS

In the light of what has been said, substantial strengthening of the unemployment insurance program could do much more to ameliorate the effects of large-scale and extended unemployment. Reduction of unemployment lies outside this program. As was recently stated by the National Association of Manufacturers:

"The most pressing domestic problem facing the Nation today is the creation of more opportunities for the productive and efficient employment of the energies and abilities of our people . . . about 2 million new jobs will be required if we are to provide opportunities for everyone seeking work. Unless these are created, every one of our national aspirations will be in trouble."

A more effective unemployment insurance program, together with more effective related measures, can do much to achieve the goal of a strong, and healthy economy, thus helping this country maintain its democratic traditions and strengthen its position of world leadership.

In contrast to our own way of life, totalitarian systems limit workers' freedom to leave their jobs to seek better opportunities, and limit management in layoffs and dismissals. They loudly claim to have done away with unemployment and that they have no need for unemployment insurance. We must accept the risks of frictional and technological unemployment which accompany the freedom of

employers and workers and in consequence, we must accept its costs. These costs can be borne most effectively by social insurance, and unemployment insurance in particular.

For most workers in this country, unemployment is infrequent and brief, and more complete coverage and a higher scale of weekly benefits would probably be sufficient for unemployment insurance to deal with it. On the other hand, for those whose unemployment is longer lasting, the system must deal with the adequacy of benefits paid for a longer period of time, and the need for a close working relationship with other measures for increasing employment opportunities and improving jobless workers' skill and work potential. Only thus can unemployment insurance meet the challenge of unemployment of the 1960's and make its fullest contribution to the strengthening of our way of life.

ABILITY OF THE FEDERAL-STATE UNEMPLOYMENT INSURANCE SYSTEM TO PROVIDE BENEFITS IN TIME OF RECESSION

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The recession of 1957-58 pointed up a number of serious deficiencies limiting the ability of the Federal-State system of unemployment insurance to provide benefits in times of widespread and prolonged unemployment. These were summarized by a panel of discussants in the session on unemployment insurance at the December 1959 meetings of this Association and have been revealed in considerable detail in the Congressional hearings on legislative proposals and in the writings of the leading students of the subject since the end of the 1958 recession.¹ Suffice it to say at this point that the 1957-58 experience indicated a number of shortcomings of the system involving the duration for which benefits were payable, the amount of the maximum weekly benefit, the financial condition of some State funds, and a variety of other aspects. As a result, benefits paid under the regular State and railroad programs during the period from the fourth quarter of 1957 through the fourth quarter of 1958 were estimated to have averaged (quarterly) 16.83 percent of earnings lost from total and partial unemployment. In terms of benefits paid and earnings lost as a result of recession-caused unemployment during the above period the average quarterly ratio was estimated at 17.54

¹ Herman M. Somers, "Some Issues in the Improvement of the Federal-State Unemployment Insurance Program." Discussion by R. L. Hibbard, Richard A. Lester, and Wilbur J. Cohen, *IRRA Proceedings* (December 28-29, 1959), pp. 92-114; U. S. Congress, House of Representatives, Committee on Ways and Means, *Temporary Unemployment Compensation and Aid to Dependent Children of Unemployed Parents*, Hearings 87th Cong., 1st sess., Washington, D. C.: Government Printing Office, 1961; U. S. Congress, House of Representatives, Committee on Ways and Means, *Unemployment Compensation*, Hearings (86th Cong., 1st sess.), Washington, D. C.: Government Printing Office, 1959; Richard A. Lester, "The Economic Significance of Unemployment Compensation, 1948-1959," *The Review of Economics and Statistics*, Vol. XLII (November 1960), pp. 349-372; Saul J. Blaustein, "The Challenge Facing the Unemployment Insurance System," *Monthly Labor Review*, Vol. 84 (March 1961), pp. 242-249; Wilbur Cohen, William Haber, and Eva Mueller, *The Impact of Unemployment in the 1958 Recession* (Ann Arbor: Institute of Labor and Industrial Relations, University of Michigan and Wayne State University, 1960), Ch. IV; W. Stanley Devino, "UI Claimants Exhausting Benefits During 1957-58," *Monthly Labor Review*, Vol. 83 (March 1960), pp. 243-248.

percent (or 15.09 percent if an alternate method of calculation is used). These ratios were not significantly different from those during the earlier two postwar recessions.²

It is the purpose of this paper to focus attention primarily on the system as it operated during the recession which began in the spring of 1960, although at various times I shall have occasion to refer to the 1958 experience. During the 1959 State legislative sessions a number of improvements were made in the various unemployment insurance laws, but by and large the system as a whole was little better prepared to meet the problems posed by the economic difficulties which began in 1960 than it was in 1958, and the results have been disappointing.

Between May 1960 and March 1961 the seasonally adjusted rate of unemployment rose from 4.9 percent to 6.9 percent of the civilian labor force, and fluctuated only between 6.8 percent and 6.9 percent from April through September 1961. In May 1960, 52.1 percent of the unemployed were insured under the State, railroad, ex-service-men, and Federal employee unemployment compensation programs.³ In March 1961 when the seasonally adjusted rate of unemployment reached a peak of 6.9 percent, 61.9 percent of the unemployed were insured, and in August 1961 when the unemployment rate stood at the same figure, 41.9 percent were insured under all programs other than the Federal Temporary Extended Unemployment Compensation Act (TEUC).⁴ At no time from May 1960 through August 1961 were more than 65.3 percent of the unemployed insured under these programs. The picture is improved when individuals insured under TEUC are included, but substantial numbers still remained without protection, and as will be indicated below, the reliance on

²Lester, "The Economic Significance of Unemployment Compensation, 1948-1959," pp. 359-360.

³The Railroad Unemployment Insurance Act is not part of the Federal-State system. Individuals insured under this program have been included in this section of the paper in order to be able to compare the insured unemployed with the Census monthly household survey figures on unemployment which include unemployed railroad workers. Throughout the remainder of the paper, the railroad program is not included in the analysis unless its inclusion is specifically indicated.

⁴This became effective April 8, 1961 and provides additional benefits for individuals who exhausted their benefits under the State, UCFE, and UCX programs after June 30, 1960. It provides for up to 13 weeks of additional benefits, but total weeks may not exceed 39. The amount of benefits payable under the program is limited to one-half the amount received under the regular programs. It terminates on March 31, 1962. A similar program was enacted for railroad workers.

such temporary, stop-gap measures constitutes one of the weaknesses of the system.⁵

The factors limiting the extent to which the unemployed are insured are: (1) the limited duration for which benefits are payable; (2) the exclusion of specified groups of employees or employers from coverage under the laws; (3) the failure of individuals newly entering or reentering the labor force to acquire the benefit credits necessary for eligibility; (4) the disqualification of otherwise eligible individuals because of certain types of action or conduct; and (5) the failure of eligible individuals to file claims for benefits.

A. FACTORS LIMITING INSURED STATUS

1. *Duration Limits and Exhaustions*

During periods of recession the limitation on the duration for which benefits are payable takes on particular significance. Since all State laws contain maximum duration provisions, it follows that the number of individuals exhausting their benefit rights will increase as the length of the recession increases. This occurred during the present recession, with exhaustions under the State, Federal employee, and ex-servicemen programs reaching a monthly peak of 261,884 in May 1961. During May 1960 exhaustions numbered 145,361. In the 12 months from October 1, 1960 through September 30, 1961 approximately 2,440,532 individuals exhausted their benefits. This was 31 percent of the 7,878,931 first payments made between April 1, 1960 and March 31, 1961 (i.e., the year beginning 6 months before the first of the above exhaustions).⁶ In 1958 the rate of exhaustions ranged from 24.4 percent in January to 33.3 percent in December. The latter was the highest monthly rate during the 1958 recession.⁷

The majority of the exhaustees in the current recession continued

⁵ If recipients of TEUC benefits are included, the percentage of the unemployed who were insured ranged from 73.1 in April 1961 to 52.0 in August 1961. Percentages of the unemployed insured under the various programs were calculated by the author from data reported regularly in the *Monthly Labor Review*, *The Labor Market and Employment Security*, and *The Monthly Review*.

⁶ Data on first payments under State programs are from *The Labor Market and Employment Security*, January, April, June, and September 1961 issues. Exhaustion figures are reported monthly. Data on first payments and exhaustions under UCFE and UCX are also reported monthly.

⁷ House of Representatives, *Hearings on Temporary Unemployment Compensation and Aid to Dependent Children of Unemployed Parents*, p. 31, Table 15.

to be unemployed after receiving their last regular benefits, or were reemployed for so short a period that they were unable to reestablish eligibility. This is indicated by the fact that during the first 6 months after the TEUC program became effective, a total of 2,019,030 individuals had filed first claims for temporary extended benefits.⁸ This represented 71 percent of the 2,830,890 beneficiaries who had exhausted benefits between July 1, 1960 and September 30, 1961. Approximately two-thirds of the claims for TEUC benefits were filed by the end of June 1961, and thereafter the number of first claims each month was approximately equal to the number of exhaustions. Between the start of the TEUC program and the end of August 1961, 666,923 TEUC beneficiaries exhausted their extended benefits.⁹

There is no easy answer to the question of the appropriate maximum duration for which benefits should be paid. Students of unemployment insurance generally agree that benefits should at least cover periods of temporary involuntary unemployment among individuals who are clearly in the labor market. However, the experience of the past several years, including the data from the present recession just cited, indicate that for hundreds of thousands of individuals "temporary unemployment" can involve joblessness considerably in excess of six months. If duration provisions are to reflect the prevailing patterns of unemployment among individuals with a labor force attachment, the concept of temporary unemployment needs to be revised as unemployment increases in length and as recoveries from previous recessions are incomplete.

The majority of the States have not responded legislatively to the experience of 1958 and 1960. At the beginning of 1960, shortly before the onset of the present recession, there were 32 States with a maximum duration of 26 weeks, 9 with a permanent limit of more than 26 weeks,¹⁰ and 10 States with limits of less than 26 weeks. In 6 of the States with a limitation of 26 weeks, the laws contained permanent provisions extending their benefit durations when unemployment in the States reached specified levels.¹¹

⁸ To be eligible for TEUC benefits a claimant must have exhausted his regular benefits and must, of course, still be in the labor market.

⁹ *The Labor Market and Employment Security*, October 1961, pp. 34, 65.

¹⁰ Oklahoma 39 weeks; Utah 36 weeks; Wisconsin 34 weeks; Colorado 32½ weeks; New Mexico, Pennsylvania, Massachusetts, Washington 30 weeks each; and Louisiana 28 weeks.

¹¹ California, Connecticut, Idaho, Illinois, Vermont 39 weeks; North Carolina 34 weeks.

Despite the increasing unemployment and exhaustions during 1960 and 1961 very little action was taken by the States to improve the duration provisions in their laws. In 1960 two States liberalized their provisions, Georgia increasing its maximum from 22 to 26 weeks and Virginia going from 18 to 20 weeks. During the first 11 months of 1961, 5 States increased the maximum duration provisions of their laws. Of these, two (New York and Delaware) extended their maxima temporarily from 26 to 39 weeks and three increased their maxima to 26 weeks.¹² Thus, at the present time only 9 States have programs containing permanent duration limits of more than 26 weeks, with an additional 8 States extending durations beyond these limits under a variety of circumstances. Six States still have limits of less than 26 weeks.

The action of Congress and a few States indicate that a duration of 39 weeks, at least during periods of widespread cyclical unemployment, is reasonable. However, the reliance on temporary stop-gap programs, involving as they have a time lag between exhaustion of regular State benefits and receipt of extended benefits, is unsatisfactory. The TEUC program went into effect on April 8, 1961 so that for the hundreds of thousands of individuals who exhausted their regular benefits during the last half of 1960, a minimum of three months elapsed before they were eligible for benefits under the temporary program. Moreover, if care is exercised in the administration of unemployment compensation to ensure that benefits are paid only to those who are really available for and seeking work, and if eligibility requirements are established which limit benefits to those with a significant labor force attachment, there is little justification for making benefit extensions up to 39 weeks temporary or limiting their operation to periods in which statewide unemployment or exhaustions exceed a specific figure. It is not the purpose of this paper to discuss in any detail needed changes in the system which stem from the changing character of unemployment, since this is to be covered in one of the other papers on this panel. However, it is important to point out that technological change, changes in demand for specific products, foreign competition, or other economic forces can result in serious and prolonged unemployment in specific industries at a time when national or statewide unemployment or exhaustions would not be sufficient to characterize a given time period

¹² The New York temporary extension is of the "trigger" type.

as one of recession calling for extraordinary or exceptional unemployment insurance legislation.

2. Coverage Exclusions

A second factor impeding the effectiveness of the system is the exclusion of certain broad categories of employees from coverage. In 1960 such excluded employees numbered 13.9 million, and consisted of employees of State and local governments (5.9 million), those in small firms, usually less than 4 employees (1.7 million), agricultural employees (2.1 million), those in nonprofit organizations (1.4 million), employees in domestic service (2.5 million), and miscellaneous others (.3 million).¹³

Although the incidence of unemployment during the 1960-61 recession has been most severe in manufacturing where the vast majority of employees are covered, the lack of protection in the uncovered industries remains a serious shortcoming of the unemployment insurance program. Blaustein has estimated that in December 1960 there were 900,000 unemployed individuals in the excluded categories.¹⁴

In January 1961, 7 States covered employees of firms with 1 or more employees at any time, 13 covered firms with 1 or more employees but with other conditions specified, and 4 States covered firms with 3 or more employees. In the remaining 27 States employers with less than 4 employees were not covered.¹⁵ During the 1961 legislative sessions none of the States reduced the size requirements for coverage. Current data concerning the level of unemployment in such small firms are not readily available, but the rate is probably lower than in larger establishments. The Department of Labor estimated that in January and February 1958 the unemployment rate among employees of small firms was 5.7 percent compared with an insured unemployment rate of 7.7 percent, and that there were approximately 115,000 unemployed workers who had no benefit rights because their former employers had been excluded by the size-of-firm provisions.¹⁶

¹³ Blaustein, "The Challenge Facing the Unemployment Insurance System," p. 245.

¹⁴ *Ibid.*, p. 244. Because of space limitations my paper will discuss only the small firm exclusion.

¹⁵ *Unemployment Insurance: State Laws and Experience*. Bureau of Employment Security. BES No. U-198. (Washington, D. C.: Government Printing Office) April 1961, Chart 2.

¹⁶ House of Representatives, Hearings on *Unemployment Compensation*, 1959, p. 64.

Coverage exclusions based on size of firm are no longer necessary. Certainly small employer experience in paying a wide variety of payroll taxes and contributions to government and private welfare funds, and the coverage of small employers in 20 States indicate that their inclusion is administratively feasible. Indeed, the experience in States which cover employees with one or more workers has been favorable, and some States have reported that such extensions of coverage actually reduced rather than increased the difficulties of administering the programs. The need for employer payroll audits or investigations to determine what specific employers are covered are reduced or eliminated. Also there is no necessity of waiting until the end of the taxable year to determine employer liability, and problems of collection have been few.¹⁷ Most of the State laws which now contain employer exclusions based on size have a provision lowering the coverage limits if the Federal act is amended to require this. Federal action on this point is in order.

3. *Disqualifications*

During a recession the disqualification provisions become of added importance since they result in either postponement of benefits, cancellation of some or all benefit rights, or both. Disqualifications are imposed on claimants who voluntarily leave their work without good cause, are discharged for misconduct, refuse suitable work, or are idle because of a labor dispute.¹⁸

In some States disqualification provisions are based on the theory that after a given period of unemployment the claimant's continued unemployment is due to the condition of the labor market rather than to his disqualifying act, assuming he is really seeking work. In such States disqualification results in postponement of benefits for a relatively short period of time, usually a few weeks.¹⁹ In other States the disqualification provisions take on a punitive characteristic. Benefits are postponed for long periods of time, often for the duration of the individual's unemployment. In addition, benefit rights are frequently reduced or completely cancelled. The cancellation of some

¹⁷ *Ibid.*, p. 5.

¹⁸ The specific wording of the disqualification provisions varies among the States as do the legal interpretations of their meaning.

¹⁹ In the case of unemployment due to a labor dispute all but two States consider the unemployment to be the result of the dispute and disqualify the individual for as long as it lasts. Labor dispute disqualifications will not be considered here.

or all benefit rights or the denial of benefits for the duration of the unemployment have the effect of reducing the duration for which the individual can draw benefits or removing him entirely from the system. The significance of these provisions during the 1958 and 1960 recessions has been increased since benefit rights under the temporary programs of benefit extension were and are also adversely affected in the event of disqualification.

In January 1961 there were 35 States in which disqualification for one or more of the 3 types of conduct resulted in either postponement of benefits for the entire duration of unemployment, cancellation of wage credits, or both.²⁰ There is little doubt that the employee who voluntarily quits his job without good cause, is discharged for misconduct, or refuses suitable work has little claim on the unemployment insurance system during the first several weeks of his unemployment. Thereafter, however, it is reasonable to assume that if the claimant meets the requirements of being available for work and seeking work, his continued unemployment is sufficiently closely related to the depressed condition of the labor market so as to justify receipt of benefits. If this assumption is not correct, the fault lies in poor administration of the "availability for work" requirement rather than with the disqualification provision itself.

During periods of full employment the individual whose error in judgment led him to commit a disqualifying act will normally find another job within a relatively short time, providing he is making a real effort to do so, is not living in a depressed area, and is not trained in a skill which is technologically obsolete. He will have paid for his error by going without income during this period of unemployment. If his disqualifying act occurred shortly before or during a recession, however, disqualification provisions of the type in the 35 States noted above result in his paying an unduly high price for his "folly." To deny benefits for the entire duration of unemployment or reduce the duration of the individual's eligibility involves an attempt by the State to utilize the unemployment insurance program as a means of penalizing what it believes to be anti-social or imprudent

²⁰ In addition to disqualifying claimants for the duration of the unemployment, many of these States require the individual to earn a specified amount of wages or work a specified period of time after becoming reemployed in order to reestablish eligibility for benefits. In such States reemployment for very brief periods may not requalify the individual when he is again laid off.

conduct. To use the system in this manner can only hinder the system's efforts to mitigate the economic hardships of a recession.

In the 35 States which deny benefits for the duration of the unemployment or reduce or cancel benefit rights, a total of 177,614 disqualifications involving these penalties were imposed for the three causes of disqualification during the first quarter of 1961. These States included several of the most highly industrialized in the nation, such as Michigan, Ohio, Illinois, New Jersey, Pennsylvania, and New York where the impact of the recession has been severe. In these 6 States some 76,846 disqualifications involving these penalties were imposed.²¹

B. BENEFIT LEVELS

The extent to which the unemployment insurance system is able to provide protection depends not only on the proportion of the unemployed who are insured but on the degree to which weekly benefits are replacing the lost income of beneficiaries. While the benefit formulae in the various State laws generally aim at providing benefits which equal one-half of the weekly wage, the benefit ceilings found in the laws result in benefits actually equaling less than 50 percent for large numbers of claimants.

Although 32 States increased the ceilings on weekly benefits between the end of 1957 and the end of 1960, the increase in wage levels largely nullified the potential improvement in the benefit-wage relationship. The ratio of maximum weekly benefits to average weekly wages in covered employment increased somewhat in slightly more than half the States, but in 22 States the relationship deteriorated.²²

On January 1, 1961 when the current recession was well under way, the maximum benefit payable (excluding dependents' allowances) in 47 States was less than 50 percent of 1960 average weekly

²¹ *Statistical Supplement, Labor Market and Employment Security*, June 1961, Table 8.

²² Blaustein, "The Challenge Facing the Unemployment Insurance System," pp. 245-246, 248. Blaustein used average weekly wages in covered employment during *fiscal* 1960 in calculating the ratios for January 1961. I recalculated the ratios using average weekly wages in *calendar* 1960 in order to compare the January 1, 1961 ratios with those resulting from the increased maxima enacted during the 1961 legislative sessions. If average weekly wages during calendar 1960 are used as the basis of comparison, the benefit-wage relationship deteriorated in 24 States between January 1, 1958 and January 1, 1961. Throughout the remainder of the discussion in this section average weekly wages in calendar rather than fiscal 1960 are used.

wages in covered employment. In 8 States the allowances payable for dependents raised the maxima to 50 percent or more for claimants who qualified for such allowances. This still left 39 States with benefit ceilings which were less than 50 percent of average weekly wages.²³

During the 1961 legislative sessions 15 States increased their benefit maxima.²⁴ Despite these increases, however, 42 States (34 if dependents' allowances are included) still had maxima which were less than 50 percent of the previous year's average weekly wages in covered employment. In these States, therefore, everyone earning the average weekly wage or more was receiving reimbursement of less than 50 percent. Moreover, in all States with a maximum below 50 percent of average weekly wages, many individuals whose wages were *less* than the average were also failing to receive 50 percent of their former earnings.

The adequacy of a given benefit-earnings ratio is influenced to a considerable extent by whether the recipient is a primary or secondary wage earner, the number of his dependents, his take-home pay relative to his gross wages, and whether other family members are employed. The limited studies of benefit adequacy thus far conducted indicate that, while the necessity of providing benefits equal to 50 percent of gross wages for secondary workers or employees without dependents may be a moot point, there are strong grounds for believing this ratio is necessary in the case of primary workers with dependents if unemployment insurance is to prevent undue hardship during periods of extended layoff.²⁵ The necessity of providing benefits equal to one-half of gross wages becomes urgent during a reces-

²³ In 6 States the laws provided that maximum weekly benefits were to be set automatically by the application of a specific percent to average weekly wages at periodic intervals. These States and the percentages were: Wyoming 55%, Wisconsin 52½%, Kansas 50%, Utah 50%, Vermont 50%, and Colorado 50%. The ratio of maximum weekly benefits to average weekly wages in covered employment was slightly below 50% in Kansas, Utah, Vermont, and Colorado on January 1, 1961.

²⁴ Two of these States related their maxima to average weekly wages (Idaho 52½%, South Carolina 50%). This increased the number of States with such "escalator" provisions to 8. Information on changes in maximum benefit amounts during 1961 is from Bureau of National Affairs, *Daily Labor Reports*, 1961, Nos. 61, 99, 103, 116, 130, 157, and 204.

²⁵ For an extensive summary of 7 benefit adequacy studies carried out in 6 States between 1954 and 1958, see Joseph M. Becker, *The Adequacy of the Benefit Amount in Unemployment Insurance* (Kalamazoo: The W. E. Upjohn Institute for Employment Research, 1961).

sion when primary wage earners comprise a larger proportion of the insured unemployed than during periods of full employment.

The problem of providing benefits which are adequate for primary wage earners but not overly so for secondary workers whose needs are less and labor force attachment more tenuous is one which has vexed students of unemployment insurance for many years. It has taken on added significance, however, with the increasing labor force participation of married women who are generally secondary workers and who frequently work only part-time or have an intermittent attachment to the labor force. The utilization of dependents' allowances does not provide a clear-cut solution since this involves deviation from a system based on insurance principles in which benefits are based on past earnings rather than need, a characteristic from which legislators and many students of unemployment insurance are reluctant to deviate. With the apparent increasing frequency of recessions, the need to increase benefit levels substantially, and the changing character of the labor force, the case for dependents' allowances grows stronger.

C. FINANCIAL EXPERIENCE, RISK POOLING, AND THE NEED FOR FEDERAL STANDARDS

If the shortcomings of the system had been reduced or eliminated prior to or during the present recession, the cost of the program would have been increased. It is important, therefore, to take note of the extent to which the system could have afforded the improvements which earlier parts of this paper have indicated to be desirable.

On April 30, 1960 reserves of all State unemployment insurance funds combined were \$6,495,199,000, or 5.7 percent of taxable wages.²⁶ For each State the Bureau of Employment Security has calculated the highest annual cost ratio (i.e., benefits to taxable wages) during the period 1951-1960. When the benefits and taxable wages for each State's high cost year were combined, the aggregate cost ratio was found to be 3.22 percent.²⁷ For all but 11 States the high cost year was 1958. Thus, shortly before the onset of the present recession the reserve ratio for the United States as a whole was 1.8 times the cost ratio in the system's high cost year.

During the 12 months from May 1, 1960 through April 30, 1961,

²⁶ *The Labor Market and Employment Security*, June 1960, p. 51.

²⁷ *Ibid.*, May 1961, p. 16.

\$3,335,533,000 in benefits were paid under the regular State programs.²⁸ This means that in May 1960 at the beginning of the recession aggregate reserves for the country as a whole were 1.9 times the amount of benefits paid out during the ensuing year of high unemployment. Thus, even if no employer taxes had been paid throughout these 12 recession months, reserves on April 30, 1961 would have still equaled .9 of a year's benefits. Actually, total reserves decreased by only \$863,297,000 during the 12-month period so that on April 30, 1961 reserves were \$5,631,902,000 or approximately 1.6 times total benefits paid. The ratio of benefits to taxable wages for the 12 months ending April 30, 1961 was 2.8 percent and the reserve ratio was 4.7 percent. The reserve ratio was, therefore, 1.68 times the cost ratio. By August 31, 1961 reserves had increased to \$6,028,574,000, and the reserve ratio was 1.70 times the cost ratio.²⁹

Were it not for the fact that reserves are compartmentalized in individual State accounts rather than pooled for the entire nation, the system as a whole could have afforded many of the needed changes discussed in earlier parts of this paper. For example, if the \$350 million TEUC benefits paid between the start of the program and the end of August 1961 had been charged to the State accounts, total reserves at the end of August would have been \$5.7 billion or roughly 1.5 times the total benefits (including TEUC) paid out during the preceding 12 months.³⁰

To view the ability of the system to meet recession needs if all State funds are pooled is quite a different matter from its ability to do so under the present structure in which State reserves are segregated as if the causes and impact of a recession were a function of State boundaries. I need not dwell on the fact that the reserve and cost ratios of the States vary widely, and that certain States such as Michigan, Pennsylvania and Alaska, in which the impact of the recession has been especially severe, have been placed in financial difficulties even with the programs they now have. (See Table 1.)

Despite the financial problems of some States data for August 1961 indicate that after 16 months of recession 24 States had reserve

²⁸ *Ibid.*, June 1961, p.57.

²⁹ *Ibid.*, October 1961, p. 64.

³⁰ Information on amount of TEUC benefits is from *The Insured Unemployed*, U. S. Department of Labor, Bureau of Employment Security, August 1961, p. 13. I have excluded TEUC benefits paid to Federal employees and ex-servicemen since these are not charged to State accounts.

TABLE 1
Reserves, Benefits, Reserve and Cost Ratios, and Repayable Advances—State Unemployment Insurance Funds, August 1961¹
(in thousands)

<i>State</i> (Col. 1)	<i>Funds Available</i> ^a (Col. 2)	<i>For 12 months ending August 31, 1961</i>				<i>Estimated amounts to be repaid to Federal Govt. under Temp. Unempl. Comp. Act. of 1958</i> (Col. 7)	<i>Repayable advances from Federal account in Unemployment Insurance Trust Fund</i> (Col. 8)
		<i>Benefits paid</i> (Col. 3)	<i>Ratio of benefits to taxable wages</i> ^a (Col. 4)	<i>Ratio of reserves to taxable wages</i> ^a (Col. 5)	<i>Reserve ratio as a multiple of benefit ratio</i> (Col. 6)		
			%	%			
Total, 52 states	\$6,028,574	\$3,570,006	3.0	5.1	1.70	\$445,677 (17 states)	\$233,771 (3 states)
Alabama	48,083	32,725	2.3	3.4	1.48	9,437	
Alaska	4,589 ^a	7,058	3.1	2.0	.65	928	8,765
Arizona	62,015	12,950	1.8	8.6	4.78		
Arkansas	31,890	16,241	2.4	4.8	2.00	2,795	
California	662,546	487,196	3.6	4.8	1.33	54,706	
Colorado	57,742	17,743	1.7	5.7	3.35		
Connecticut	154,265	76,008	3.5	7.0	2.00		
Delaware	10,681	10,142	2.5	2.6	1.04	1,579	
Dist. of Col.	63,057	6,691	1.0	9.6	9.60	1,481	
Florida	103,266	43,364	1.7	4.0	2.35		
Georgia	136,423	41,111	2.1	6.9	3.29		
Hawaii	24,841	6,754	1.6	6.0	3.75		
Idaho	26,230	10,778	3.4	8.3	2.44		
Illinois	351,381	190,138	2.4	4.4	1.83		
Indiana	138,995	78,421	2.4	4.3	1.79	21,334	
Iowa	108,850	18,053	1.4	8.6	6.14		
Kansas	65,360	21,139	2.2	6.7	3.05		
Kentucky	94,423	41,140	3.3	7.7	2.33		
Louisiana	106,141	45,805	3.0	7.0	2.33		
Maine	24,169	15,890	3.0	4.5	1.50		
Maryland	69,900	59,450	3.1	3.7	1.19	12,429	
Massachusetts	186,902	142,247	3.3	4.4	1.33	24,868	
Michigan	169,363 ^a	228,727	4.2	3.1	.74	76,219	113,000
Minnesota	46,328	46,511	2.4	2.4	1.00	8,337	
Mississippi	29,781	17,989	2.7	4.4	1.63		
Missouri	195,873	53,065	1.9	7.2	3.79		
Montana	23,719	11,894	3.7	7.5	2.03		
Nebraska	39,426	9,025	1.4	6.1	4.36		

TABLE 1 (Continued)
(in thousands)

State (Col. 1)	Funds Available ^a (Col. 2)	For 12 months ending August 31, 1961				Estimated amounts to be repaid to Federal Govt. under Temp. Unempl. Comp. Act. of 1958 (Col. 7)	Repayable advances from Federal account in Unemployment Insurance Trust Fund (Col. 8)
		Benefits paid (Col. 3)	Ratio of benefits to taxable wages ^a (Col. 4)	Ratio of reserves to taxable wages ^a (Col. 5)	Reserve ratio as a multiple of benefit ratio (Col. 6)		
			%	%			
Nevada	17,168	\$ 8,347	2.8	5.8	207	907	
New Hampshire	22,940	8,914	2.2	5.6	2.55		
New Jersey	324,092	152,959	3.3	6.9	2.09	45,371	
New Mexico	38,695	11,708	2.5	8.3	3.32		
New York	964,112	497,140	3.3	6.4	1.94	89,136	
North Carolina	180,186	47,132	2.0	7.6	3.80		
North Dakota	6,292	4,991	2.7	3.4	1.26		
Ohio	178,633	299,548	4.1	2.5	.61		
Oklahoma	32,367	22,178	2.1	3.1	1.48		
Oregon	42,757	40,787	3.0	3.2	1.07		
Pennsylvania	140,582 ^a	359,291	4.2	1.7	.40	80,971	112,006
Puerto Rico	34,175 ^a	4,128 ^a					
Rhode Island	32,420	20,770	3.0	4.6	1.53	5,736	
South Carolina	74,649	16,991	1.5	6.8	4.53		
South Dakota	14,665	2,715	1.3	7.2	5.54		
Tennessee	66,457	43,619	2.5	3.8	1.52		
Texas	243,574	66,769	1.4	5.0	3.57		
Utah	37,426	9,891	2.0	7.4	3.70		
Vermont	11,157	6,456	3.1	5.4	1.74		
Virginia	88,575	22,782	1.2	4.7	3.92		
Washington	199,360	68,857	3.7	10.8	2.92		
West Virginia	35,373	29,315	3.1	3.7	1.19	9,442	
Wisconsin	197,025	70,128	2.8	7.9	2.82		
Wyoming	9,656	6,339	3.1	4.7	1.52		

Source: *The Labor Market and Employment Security*, October 1961, p. 64; U. S. Congress. House of Representatives. (87 Cong. 1st sess.) 1961. Hearings on *Temporary Unemployment Compensation and Aid to Dependent Children of Unemployed Parents*, Table 25, p. 38.

^a Includes data for Puerto Rico beginning January 1961 when the Commonwealth's program became part of the Federal-State UI system.

^a Includes amount credited to States' accounts in the unemployment trust fund, less withdrawals by the States, under the provisions of the Employment Security Administrative Financing Act of 1954.

^a Taxable wages for 12 months ending December 1960.

^a Funds available reflect advances from Federal account in Unemployment Insurance Trust Fund.

^a Includes funds deposited by Puerto Rico into the Federal Unemployment Trust Fund when it became subject to the Federal Unemployment Tax Act.

^a Includes data from January-August 1961.

ratios which were at least twice their cost ratios and were not in debt to the Federal unemployment account or the Federal Treasury as a result of loans or participation in the 1958 TUC program. Thus, even with the system of compartmentalized reserves and a long-out-of-date taxable wage base of \$3000 many of the States were (and are) in a financial condition which would have permitted extensive liberalization in their programs. The failure of the States to move ahead in extending benefit durations on a permanent basis, increasing maxima, expanding coverage, liberalizing disqualification provisions and increasing their taxable wage bases to more realistic levels is inexcusable. Surely the experience of the postwar recessions, particularly that of 1958, and the onset of the 1960 recession before the 1961 legislative sessions began indicated the need to strengthen the system so that it might meet more adequately the challenge of recession conditions in 1961. The failure of the States to meet this challenge, with the Federal government having to step in with temporary emergency action to plug part of the gap in the system raises serious doubts as to the willingness of the States to assume the responsibility which must accompany the exercise of the rights they so frequently claim are theirs.

The causes of unemployment, whether these be changes in consumer tastes or business investment decisions, technological changes, or a variety of other factors, have a national dimension. That the incidence of unemployment may be greater in one State than another at a specific time or during a specific recession should not excuse the more fortunate States from bearing a share of the cost of unemployment in the less fortunate ones. The decisions of consumers in Iowa to postpone purchases of new automobiles is related to unemployment among automobile workers in Michigan, which in turn is related to unemployment among steel workers in Indiana, whose unemployment is likely to affect the employment of packinghouse workers in Illinois.

Nor can it be assumed that the States whose reserves are drained as a result of cyclical unemployment will always be the same in each recession. Professor Lester has pointed out, for example, that the list of States with the highest ratios of benefits paid to taxable wages varied considerably as between the recessions of 1948-49, 1953-54, and 1957-58.³¹ It is extremely difficult to justify the great disparity

³¹ Information submitted in testimony at Hearings on *Unemployment Compensation*, 1959, p. 265.

in benefit and other provisions among the States on grounds of differing economic conditions or needs. If, for example, benefits are in fact related to past earnings through the appropriate benefit formulae and maxima, such benefits will automatically vary by State in line with differing wage levels and living standards. The present variety and inadequacies of State unemployment insurance laws cannot help but lead one to the conclusion that interstate competition to keep unemployment insurance taxes low rather than the needs of employees is the variable which determines the provisions of specific State laws. After more than two decades of failure to keep unemployment insurance laws abreast of changing economic developments, the case for minimum Federal standards is strong.

Federal standards relating to benefit and duration levels, disqualification provisions, qualifying requirements and other unemployment insurance elements need to be supplemented by some arrangement to pool at least a part of employer unemployment insurance taxes and State reserves so as to spread the risk of unemployment over the entire country rather than merely over the confines of a single State. It was indicated earlier that if individual State reserves were pooled nationally there could be substantial improvement of benefits in all States without individual State programs running the risk of insolvency or being forced to raise taxes at a time when the opposite action is needed to help counteract a recession. In New York State, for example, employers face an \$85 million rise in unemployment insurance taxes starting January 1, 1962 because of the heavy benefit payments during the first half of 1961.³²

The action of the Federal government in enacting the TEUC program in 1961 represented an important step forward both in terms of its standard of benefit duration and method of financing. The temporary tax of .4 percent to finance the program must be paid by covered employers in *all* States and is not subject to experience rating. This in effect involves a subsidy from the less industrialized States to the more industrialized ones. It is a reversal of the usual practice in Federal-State welfare programs, and represents a move in the direction of pooling the risk of unemployment on a national basis.

The present TEUC program is temporary and needs to be replaced by a permanent method of pooling employer contributions on a national basis. This can be accomplished readily through Federal reinsurance of State funds.

³² *New York Times*, August 30, 1961, p. 1.

DISCUSSION

JOSEPH M. BECKER

St. Louis University

I shall limit my comments to only one of the many questions raised by the papers, namely to the question of whether the duration of benefits should be extended by federal action. I am inclined to think that those provisions of the King bill that deal with benefit duration will receive the most attention in Congress and will have the greatest chance of being enacted in some form.

The question of extended benefit duration was raised by the papers in two forms. The question in its first form asked: "Should benefits be extended during recession periods?"

All three papers seem to answer in the affirmative and to favor a permanent program generally similar to the current TEC program. Although I should be more certain of my own position if I knew what will be the findings of the TEC investigation now in progress, I am inclined to agree with the general position of the papers.

I have some distinctions to make, however, with respect to the financing of such a program. Barcus favors the use of general revenues, while Booth favors payroll taxes. I believe with Barcus that general revenues would be the better source but I believe with Booth that the added burden will actually be placed on the payroll tax. And I differ from both of them in one important respect.

If the federal government moves to extend the duration of benefits, I should hope that it would be not by way of one hundred percent grants but by way of matching grants. A system of matching grants would represent a compromise between the TUC and the TEC programs. Less capitalistic than TUC, which only made loans, but less socialistic than TEC, which made 100 per cent grants, a system of matching grants would have some of the advantages of both.

Like TEC, it would supply an inducement to the states to enact the desired programs of extended benefits. Like TEC, also, it would assist the states in meeting the costs of such programs.

At the same time, a system of matching grants would have at least two of the advantages of TUC. First of all, in such a system, each state could shape its program to fit the particularities of its own economy. States differ in their experience with unemployment, and they differ with predictable regularity. Although it is true that in

some respects "unemployment is a national problem," I am more impressed by unemployment's localized character.

St. Louis has an average unemployment rate that is only half that of Pittsburgh but twice that of Houston. The rate of unemployment in Missouri is consistently higher than in Illinois but lower than in Michigan. Within the same state, local labor markets have widely different unemployment rates. Illinois is typical. Some Illinois counties have an unemployment rate as low as two per cent while others have a rate as high as 25 per cent.

Seasonal patterns of unemployment differ markedly from state to state. The seasonal rise and fall of unemployment in Minnesota and Washington is very steep and very regular—as compared, say, with the seasonal swing in Ohio. Florida's seasonal pattern is the opposite of that in most other states.

Cyclical patterns of unemployment also differ from state to state. Recessions start and end at different times in different states and are felt with different degrees of severity.

All these differences are sufficiently regular so that they can be foretold and planned for. A system of matching grants would allow each state to construct a program of extended benefits that fitted its particular pattern of unemployment. Especially important would be the freedom of each state to begin and end the operation of the system at the best time for that state.

A second advantage of a system of matching grants is that costs would be automatically controlled. Each state would have to bear at least part of its own costs. Moreover, the costs would be more equitably distributed, insofar as the richer states would bear a larger share.

If the costs of extended benefits are completely pooled, as the three papers propose, it will result in the poorer states subsidizing the richer states. When the accounts of the TEC program have been closed, they will show that rich states like New Jersey, Ohio, Michigan, Pennsylvania, have taken more out of the pool than they put into it; while poorer states like Mississippi, South Dakota, Tennessee, Missouri, Virginia, have all put in more than they got out.

The industrialized states are states with the heaviest unemployment, but they are also the ones with the highest per capita income. Michigan, for example, has heavy unemployment, but Michigan is also in the upper fourth of the states ranked according to per capita

income. To me it seems logical to ask the industrial states to bear the burden of their own unemployment benefit costs. The objection is sometimes raised that the industrial states subsidize the poorer states in all the other national programs. That may be true; but it is no reason for reversing that logical procedure in this program.

Moreover, the burden does not seem to be such an overwhelming one. To take the example of Michigan: In the ten year period, 1949-1959, the average benefit cost in Michigan amounted to 2.1 per cent of taxable wages (as a percentage of total wages the cost is even smaller). During the same period, the average tax in Michigan was 1.6 per cent of taxable wages. Michigan could therefore have avoided its present financial difficulties by increasing its average tax by one half of one per cent of taxable wages and by an even smaller percent of total wages.

The papers also raised the question of extended duration in this second form: "Should extended benefits be made available outside of recessions?"

I am inclined to agree with the papers that extended benefits should be made available outside of recessions for at least some workers. I welcome the experiments with extended duration that are going on, for example, in Wisconsin and Utah. Wisconsin now provides 34 weeks and Utah 36 weeks of benefits for claimants whose relationship to the labor market is especially firm. (I have inquired of the administrators of these two states how the experiment is working out. They have not yet done an analysis of their experience; besides, results have been obscured thus far by the simultaneous operation of TEC.)

If a federal program should be enacted for this purpose—to provide extended benefits outside of recession periods—I should hope that it would make use of the matching-grant technique. The reasons for preferring matching grants for this non-recessionary program are the same as those just given for its recessionary counterpart.

However, the need for federal action is less clear in the case of a non-recessionary program. In this case more may safely be left to the states. The states' past record of increasing the duration of benefits in the regular program is impressive. Since the same social forces which caused the states to lengthen duration in the past are still operative I should expect to see more movement along this same line. I have already instanced the recent actions of Utah and Wisconsin. It

seems to me that one would have to be very impatient with all gradual social change not to have faith in this one.

But isn't there a present emergency, which demands strong and immediate action? Possibly, but if so, the evidence for it is not very clear. The long-term unemployed (those unemployed longer than six months) constitute on the average one per cent or less of the labor force. While a problem of this size is worthy of serious attention, it does not seem to me to partake of the nature of a national emergency demanding immediate federal action.

As far as the federal government is concerned, its most effective contributions towards the solution of long-term unemployment will be other than the supplementation of unemployment benefits. The federal government has a crucial role to play in maintaining the general level of economic activity; also in improving the programs which function in support of unemployment insurance, such as old age insurance and the assistance programs that Phil Booth emphasized.

And the federal government should be especially active, I think, in developing a program—perhaps along the lines of the Area Redevelopment Act—whose aim will be that which Norm Bacus emphasized, namely, to restore the unemployed to employment and thus diminish the need for unemployment benefits.

Such a program should be distinct from unemployment insurance and have its own provisions governing eligibility and benefits and its own financial structure. Its eligibility provisions should be such as to admit all the unemployed, not merely those covered by unemployment insurance; and it should be prepared to accept some of the insured unemployed even before they exhaust their benefits.

The benefits paid by this program should be geared to the family needs of the unemployed person, though it should not use a means test. The City Workers' Family Budget could probably be used as a guide in setting benefits. (With all its imperfections, this norm would at least be more logical than the one currently in use in the Area Redevelopment program.)

Funds for this program should come from general revenues.

Such a program holds more hope than does unemployment insurance for a really satisfactory solution of the problem of the long-term unemployed.

ARTHUR F. BURNS

Columbia University

The papers presented at this session have dwelt not only on the welfare aspects of unemployment insurance, but also on its power to strengthen the economic system. In so doing they have followed the tradition set by the early students of unemployment insurance in this country—J. R. Commons, Isador Lubin, and Paul Douglas, among others. I was especially struck by the opening remarks of Mr. Barcus' paper. Recalling the wisdom of a medieval philosopher, Mr. Barcus has raised a fundamental economic question about our Federal-State unemployment insurance system, namely, whether it could not become a much more effective instrument than it has been in curing the ills that it was designed to alleviate.

I would suppose that, in principle, there are at least a half-dozen ways in which our unemployment insurance system may be reformed in the interest of checking or reducing involuntary unemployment.

First, it can offset a larger part of the loss of income derived from production, thereby becoming a more powerful stabilizer of personal incomes, consumer buying, and related economic activities.

Second, it can give employers a greater financial incentive to improve personnel policies and to stabilize output, thereby contributing to general employment stability.

Third, it can give more help to unemployed workers in finding new employment, thereby reducing the intervals between jobs.

Fourth, it can be more thorough in dropping beneficiaries who are unwilling to accept suitable employment, thereby also helping to shorten the intervals between jobs.

Fifth, it can be more insistent on withholding benefits from employees who quit their jobs without good cause or lose them because of misconduct, thereby promoting lower labor turnover.

Sixth, it can enlarge opportunities for retraining of workers who have little hope of finding employment in their own trade, thereby promoting a better adjustment of the supply of labor to the prevailing demand.

The papers presented at this meeting have emphasized the first of these methods of reforming the unemployment insurance system, namely, the need to offset a larger part of the loss of income during unemployment. I am impressed by the fact that each expert has dis-

closed some impatience with the slow progress our nation has made in extending the coverage of unemployment insurance, in raising the average level of benefits, and in providing for extended duration of benefits during periods of business recession when unemployment is abnormally high. I share this sense of impatience.

Liberalization of unemployment insurance is vital, not only in the interest of helping individuals and families to tide over a period of involuntary unemployment, but also to strengthen our nation's economy. The great virtue of unemployment insurance as a contracyclical device is that it increases the flow of benefit payments to individuals precisely at the time when the flow of income from production tends to fall off. The mildness of our postwar recessions has not been due to sheer luck. On the contrary, it has reflected a new economic environment in which unemployment insurance has played a significant part.

Of all the public actions that can now be taken to strengthen the resistance of our economy to the forces of any future recession, the case is clearest for extending unemployment insurance to those still denied this protection, for raising the level of benefits in the more backward states, and—most important of all—for providing on a nation-wide basis for the automatic extension of benefits when unemployment is abnormally high. I hope that when the next recession strikes, as in time it almost certainly will, our nation will no longer need to resort to tardy improvisations such as the Congress enacted in 1958 and again this year.

But it is not enough to liberalize the benefits of unemployment insurance. If we did that and no more than that, we would run the risk of drawing marginal workers into the labor force and of tempting some of the unemployed to practice leisure in finding new jobs, thus nullifying, in whole or in part, the stabilizing effects on employment of liberalized insurance benefits. To avoid such frustrations and to derive the maximum advantage from our unemployment insurance system in curbing unemployment, it is necessary to accompany liberalization by reforms along the other five stabilizing fronts I have listed.

The only criticism I would voice of the papers presented at this meeting is that they have not enlightened us sufficiently on the full range of actions needed. How might the unemployment insurance tax be modified in the interest of providing employers with a stronger

incentive to stabilize output or at least to improve their hiring policies? How can the state employment offices be roused from the lethargy into which so many of them seem to have fallen? How can they be turned into energetic and efficient agencies for finding jobs for the unemployed, especially in times when the burden of insurance claims mounts? How can the payment of insurance benefits be practically confined to those who are involuntarily unemployed through no fault of their own? What do we know about the success with training or retraining programs in the few states where unemployment insurance is allowed in such cases? How can retraining programs, if not also relocating programs, be devised and fitted into the unemployment insurance system so that we may have reasonable assurance that they will achieve what enlightened reformers expect of them?

These are not easy questions. They surely require, besides careful study and research, the discriminating judgment of qualified students. The better the answers we can suggest or find, the better will be our chances of winning the widespread support that is needed from business and other interests to liberalize unemployment insurance (thus relieving hardship), and yet make it a more effective tool for curbing unemployment than it has thus far been (thereby strengthening our economy).

HARRY F. STARK

Rutgers University

My point of departure is taken literally from the statement of the general topic under discussion—"Is our unemployment compensation system adequate to meet the needs of the economy and the unemployed?" There is not really much conflict in the three papers. We are agreed that unemployment compensation is good and that more would be better. But what is the response to the theme question of over all adequacy? Let us see.

Mr. Barcus does a valuable service by reminding us that the unemployment insurance system has contributed little to its own elimination and that state administrations have shown little ability or desire to implement the larger purposes of reducing unemployment rather than compensating it. Further he suggests that experience

rating has not really been effective as a stabilizing influence. He foresees changes in the direction of "much more positive action to reduce both the incidence of unemployment and its duration through such measures as training and relocation subsidies" with higher coverage, duration and benefit standards likely, albeit with federal prodding. These he tells us will cost money, and some employers in some states have about exhausted their ability to pay without unfavorable locational effects.

In this connection it may be that certain states are feeling the effects of industrial concentration and the dis-economies of scale. It may be painful to contemplate, but perhaps the cost of unemployment should act as a pressure for dispersion and diversification. This, after all, is one of the avenues to employment stability, and reducing area vulnerability to hard goods recessions may well benefit the entire economy.

Mr. Booth argues effectively for extension of benefits, but only indirectly suggests that higher duration, coverage and weekly maximums are within the financial ability of the system to provide. Like Mr. Barcus, he draws our attention beyond the traditional confines of the system. "Solutions are not as likely to be found," he suggests "in measures for tightening, broadening, loosening or narrowing of unemployment insurance, as in equalization of education, training and employment opportunities." He looks beyond the improvement of U I to the Area Redevelopment Act and the pending manpower development and training bill.

Mr. Slavick finds the system not increasingly able to cope with contemporary economic problems and disappointing in the recent recession. His exposure of narrow conceptions of disqualification and advocacy of broader protection is penetrating. He is less sympathetic with the states on the matter of ability to pay and regards the failure of many to improve standards as "inexcusable" since many were and are "in a financial condition which would have permitted extensive liberalization in their programs."

In this connection it is significant that the less fortunate states identified by Mr. Barcus—that is those with relatively heavy unemployment burdens and declining reserves—are among the largest and wealthiest states in the nation. I am in no position to argue the question of ability to pay, but certainly an understandable distaste for higher costs does not invalidate Mr. Slavick's point.

The three papers seem to share a common viewpoint, and there is little obvious controversy. To me, there appear two basic threads running through all three which move in opposite directions. On the one hand we have agreed advocacy of an extension of U I protection and at least partial agreement that such is possible with perhaps some pooling of finances or risks. But on the other hand, we have a strong implicit admission that the real problems lie beyond the scope of the U I system, and that radical solutions are in order. If not radical, then certainly other than the traditional benefit payment response.

What then is the answer? Is U I adequate? It depends on how we define needs. For the familiar task of meeting short term joblessness for those regularly attached to the work force, the answer is yes, especially if benefits are improved and coverage extended. However, if the problem is more one of long term joblessness, or the general level of the economy, or an increasing number of people excluded from the "regular" work force, then other devices are in order, and about all we can do is look wistfully in the direction of training and re-training. Mr. Barcus and Mr. Booth imply that some of this can be integrated into the present U I system, but only as a very partial contribution in collaboration with other agencies. It almost seems from these papers that the U I system is only "adequate" when unemployment is not really a severe problem.

It appears that much of the increase in unemployment is in the non-insured sector. The unemployed who are not displaced from covered occupations will not be helped by an extension of coverage which makes them "insured." What they need is not insured status, it is jobs. Mr. Slavick identified one reason for the unemployed not being insured as "the failure of individuals newly entering or re-entering the labor force to acquire the benefits credits necessary for eligibility." This simply means that many people, especially youngsters, cannot find their first job and remain in the labor market without regular employment.

One essential weakness of many state employment security systems is the historic concentration on paying people for being out of work without equal attention to restoring them to work. Mr. Barcus has alluded to this and the Federal Bureau of Employment Security has of course been encouraging more emphasis on the employment service side. I am unable to review any real or latent conflict between the U I and E S approaches, but U I dominates in many states and

more E S emphasis is needed. Effective job placement may well be the best possible aid to the U I system. Shortening average duration by a week or two would give enormous dollar relief to the strained financial system pictured by Mr. Barcus.

The system is not adequate in the sense meant by the theme topic because what is needed is restoration rather than insurance. There is probably enough insurance emphasis, and more will divert our attention from the need for the restoration of work opportunity and work ability rather than simply the restoration of lost wages. I certainly support the laudable extension of coverage, duration and weekly maximum benefit amounts, but these are limited in effect and purpose. There is little evidence that such improvements would help any but those least in need and those most able to help themselves. Of necessity an insurance system must seek efficiency and cut costs by concentrating on the area of least liability. Yet the greatest needs today are in the areas of greatest vulnerability.

In fairness, we also must consider the possibility of a dis-incentive to work. I found no reference in the papers presented to the notion that frictional unemployment may be enlarged by giving individuals increased ability to withstand its effects. This may even be desirable, but we must certainly examine the possibility carefully where we may be helping the stronger competitors in the job market at the expense of the weaker. An adjustment period may well be lengthened while people make up their minds about relocation. Despite the real threat of personal loss and inconvenience, the delay, especially in holiday seasons, is much more tolerable with U I benefits approaching fifty percent or more of take home pay.

Of course, I realize the risks involved in playing the devil's advocate. Perhaps it can be argued that the added mobility and opportunity to make the optimum choice is highly desirable for individual welfare. People should not be under undue pressure to accept the first job at the risk of down grading their skills or losing long run economic advantage. My concern is that we may give additional advantage to the "regular" workers at the expense of those least able to help themselves, that is those with the least skill and experience and the least salable personal characteristics. If this is a possibility, then the adequacy of the system to do the job ahead is not well established.

U I can certainly do a better limited task of providing protection

for those able to fend for themselves in the labor market and who are more able to withstand the risk of short term joblessness, which the system was created to insure against. If however, we see the larger task, then perhaps U I cannot meet the needs of the economy and the individuals, since the pressing problems are not those for which the system was designed and not those to which the insurance principle is necessarily appropriate.

I think the term inappropriate is fairer than inadequate. The U I system is actually quite adequate, with equitable extensions and restrictions, to do the job for which it was intended. It is simply not the appropriate instrument for the larger tasks. Firstly, because we may destroy the insurance principle by stretching the U I umbrella to cover related but distinct and separate social problems. Secondly, because the U I administrations in many states have shown little inclination to implement the larger purposes of economic stabilization as pointed out by Mr. Barcus. Thirdly, the mechanics and criteria of benefit payment are not suited to tasks other than benefit payment and may serve poorly as a nucleus for an enlarged function. Lastly, the problem involves in my view, a rather different clientele than those with the firmest and most regular attachment to the labor force. We must be concerned with those least able to compete or without the desire to compete. In essence these three careful papers have convinced me that the U I system as presently constituted and historically oriented will not be well served and will not serve well if applied to other than relatively short term joblessness among established workers, which, I submit, is not the crucial problem.

Part VI

**WHAT CAN LABOR HISTORY
CONTRIBUTE TO AN
UNDERSTANDING OF INDUSTRIAL
RELATIONS?**

THE RELEVANCE OF LABOR HISTORY TO INDUSTRIAL RELATIONS

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As nearly as I am able to discern, the relevance of labor history to industrial relations is negligible or nonexistent. This distasteful conclusion is forced upon us by the attitudes of the practitioners. They are not interested in subjecting industrial relations to the searching light of historical research, and would quite naturally regard any suggestion of the kind as subversive. The case for their view is strong.

Take the union, to begin with. No union officer in his right mind wants an accurate historical record of the organizing campaigns of the union, the deals it made with management, the devices by which it outwitted its rivals, and so on. He would feel, for obvious reasons, that to disclose the record to public view would be a profound disservice to the union. This is not to say that unions are officially opposed to what they call "labor history." Quite the contrary. Every union educator has been told countless times by union officers that his job is to "get the history of the union across to the new members. If only these people could understand the history of this union, how hard it was when we started, what struggles we went through, how the leaders went without salary for months at a time, etc." There is, on the part of these normally sophisticated people, a kind of naive faith in the capacity of the written and spoken word to create loyalty. They ought to know from experience that it can be acquired only along thornier paths.

But of course they are not talking about history in the ordinary sense of the word. They are talking about the reiteration of union dogma, aimed at glorifying the union in general and the current leadership in particular. It is dogma which varies only in the minutest degree from union to union and from year to year. It is simple, almost catachestic in nature: "this union was born in the blood, sweat and tears of its founders; it has become the greatest union in the world; its current leaders are the greatest union leaders in the world; we are destined for even greater things in the future if we continue along our present course." Facts, anecdotes or statements which contribute to this dogma are "labor history," those which do not are subversive.

That part of management which deals with unions has no contrary interest. It would be an understatement to say that management has no intention of baring to public view its sub-formal relations with the unions. To do so would not only raise hob with existing relationships, but would probably weaken the position of the spokesmen on both sides with their respective principles. There is a sense of mutual obligation among labor and management spokesmen which altogether precludes this sort of history. What representative of the steel industry would even consider interfering with the rewriting of steel union history? Is it imaginable that any industrial relations executive would step forward and say "such-and-such an organizing campaign did not occur in the manner which has been claimed. I remember distinctly that the company agreed to give that plant to Union A in order to avoid Union B?" What useful purpose would such a statement serve? What incalculable damage might not be done to the excellent relations which the company enjoys with the incumbent union?

I would not want to seem to derogate industrial relations executives by suggesting they have no reasons of their own for pursuing a policy of no history. This would be unfair as well as absurd. But the issue presses upon management with less insistence, since heretofore they have not felt the need for achieving that popular consent which figures so largely in the necessities of union leadership. Perhaps this is changing.

The third group of practitioners is equally committed to the view that meddling in history is hazardous and unnecessary. I refer to the growing body of third-party practitioners who have become attached to the body of industrial relations—the arbitrators, legal advisers, actuaries, conciliators, mediators, public relations experts, and consultants of all kinds. More numerous than often realized, this group is particularly important because it includes large sections of the intellectual community in which genuine labor history might be expected to originate. Unfortunately, their relationship to the industrial relations process precludes their acting in the role of historian. The work of the mediator, the arbitrator, or consultant is always confidential; to report publicly on private discussions would be a breach of confidence. What a dilemma this is! As the stuff of which labor history is made has gone underground (more on this later) access to it is more and more denied to all except those who engage directly

in the process of industrial relations. Many of the most able minds in the field have extensive third-party commitments. They give convincing, though fleeting, evidence of having acquired the information and understanding which are essential to a writing of labor history. But alas! in the process they have laid upon themselves such obligations of discretion that their voices are muffled and frequently vague. Besides, they love their work.

In this discussion of the relevance of labor history to industrial relations, it needs particularly to be emphasized that the practitioners feel no *need* for labor history. In subordinating history to the requirements of union and company dogma, they are not sensible of having made any sacrifice. For industrial relations is not a social "science," but a series of manipulative techniques to which history is essentially irrelevant. History is a process of bridging a gap in time, so that we may identify ourselves in some significant sense with men who lived in the past, and see, feel and think as they did. What labor leader or management representative practicing industrial relations today could possibly desire such knowledge? Or if, from intellectual curiosity, he did seek such understanding, would not the knowledge come as a burden rather than a help? Would it help a union or company negotiator, a time study man, a local union officer or steward, to know in detail the succession of events through which the union came to represent the employees? Is it not, indeed, more likely that any genuine understanding of history would tend to destroy (at least on the union side) that single-mindedness which is associated with the aggressive bargaining commonly described as "militant?" Of course, there might not be general agreement that high value should be imputed to "militancy," but I am here talking about the attitude of the practitioners.

This is not to say that a skillful personnel officer will never find occasion to draw upon labor history. No industrial relations officer is complete without a working knowledge of the history of the unions with which he deals, including a set of anecdotes about the officers of the union. These are as routine as the union card which he brandishes at strategic moments, or the story of his old man's struggles in the wagon-makers union. But these are all minor ploys, with only limited diversionary value.

[It may be argued that these strictures on industrial relations are valid only in the short run. In the event of a major depression, a

major war, or comparable external force, recourse to history would be indispensable to sound judgment. This is undoubtedly true. But for the practitioners, with rare exceptions, there is no such thing as "the long run." They are, by the very nature of their association, required to accommodate to the pressures of the day, and the long-range view would be a costly luxury.]

My preoccupation with the *practitioners* of industrial relations may be objected to on the ground that we are discussing labor history as a scholarly activity and not as a tool of industrial relations practitioners. But the two questions are not readily separable, and this fact constitutes a major problem of labor history today. The practitioners have a large and growing voice in determining what labor history shall be written, who shall write it, and how it shall be written. Part of the problem is, as mentioned above, that many practitioners are themselves (or ought to be) the authors of labor history. But their commitment to the unions or to management or both is profound, and although they do not always regard themselves as disqualified from the writing of labor history, by most objective tests they probably are.

The influence of the practitioners reaches into the writing of labor history in other ways. I cannot speak for the other social sciences, but it appears to me that in labor history the bureaucratization of research and writing is having the most deleterious results. With few exceptions, no book-length piece of labor history is undertaken without the most careful advance agreements about formal access to documents and leading figures, financing and publication. It often lies with the practitioner to give—or withhold—these goodies. Are we seriously to believe that this fact does not affect the quality and reliability of the resulting publications?

It may be—nay, it is likely—that the distortions and omissions in research of this kind are not deliberate. It may be that the influence of the practitioners is consciously exercised only in the selection of the research institution, the publisher or the author. But this is no assurance against significant misrepresentation. Even under favorable circumstances, there is no guarantee that the published history will be accurate or useful, but the influence of the practitioners is particularly dangerous, since they are more likely to be out of reach of scholarly discipline.

The histories of individual unions which have appeared in recent years offer abundant support for this proposition. Most of them

range from the fairly good to the incredibly bad. It is significant that the best of them, Robert Christie's study of the carpenters' union, was written in the face of official union hostility. The commissioned biographies and histories, on the other hand, are for the most part disappointing, even when they appear to have been conducted by competent scholars with adequate facilities. Consider, for example, Mark Perlman's recently published study of the International Association of Machinists, which I select because it is one of the best of the union histories. This work was commissioned and set in motion under the happiest of auspices, with the IAM agreeing not only to pay all or part of the costs, but also to give unrestricted access to its records and its personnel.

The results will seem unsatisfactory to many friends of the International Association of Machinists. The reader often has the uneasy feeling that too much or too little has been said at this or that point, and that some conscious process of selection has been at work. For example, a strong and persuasive demonstration is made of the adaptability and flexibility of the IAM in meeting the crises in its history. Yet there is no mention of the current controversy with some members of Chicago Local 113 or of the California expulsions. The work, to be sure, ends officially with 1952, but this is merely another way of stating the same problem. Nor will most readers be satisfied with the account of the efforts of the IAM to deal with the problem of racial discrimination. The facts which are reported appear to be recorded with meticulous accuracy, and there is no doubt that progress has been made. But the implication is very strong that the IAM has done a great deal more to remove the practice of discrimination than can possibly be the case. One senses the heavy hand of self-censorship. No union ever needed the help of the censor less than the IAM.

All of us lose when the practitioners exercise influence over the writing of labor history, but none so much as the practitioners themselves. It is the function of history to throw a relentless light on those events in the past which seem relevant to our assessment of the present and future. An uncompromisingly critical appraisal by history appears to be the only way in which we can make reliable judgments in certain fields of human activity. But how can the judgment be uncompromising, how can it be critical, if the protagonists have a voice in determining what shall be written?

It is instructive to turn our problem around, and talk about the influence of industrial relations upon labor history, which has been at once decisive and profound. That this is so is due in large part to the coincidence of certain major developments in our national life—notably World War II, the cold war, a long period of domestic prosperity, the stalemate in new union organization and management's reconquest of the initiative in labor-management relations. Together, these events have had the effect of producing an astonishing degree of unanimity in our judgment of industrial relations. Almost all the articulate members of the community now accept the same objectives in industrial relations, variously called maturity, industrial stability, responsibility, or statemanship. Although the terms differ, and the objectives vary somewhat from group to group, there is general consensus on the fundamentals which run something like this:

Industrial stability is a major public goal which has become urgent because of the international situation; it is the way we reconcile efficiency with democracy in labor-management relations. Responsible leadership on both the management and union side are essential, and leadership, in order to be responsible, must be relatively secure. Rival unionism is undesirable because it threatens this security, and also because it disturbs established relations and creates confusion in the plant. Labor and management work most effectively in the common interest when they hold similar ideologies. Communism must particularly be eliminated. Since anti-capitalistic views are unacceptable to management, their presence among union leaders is undesirable. While the right to strike should be preserved, the use of the strike should decline. Generally speaking, stability is easier to achieve with large unions and large bargains. The development for responsible attitudes in industrial relations is enhanced and encouraged by the use of experts and third-party procedures and these practices should therefore be encouraged.

With some modifications, this is the point of view to which government spokesmen and the other three parties give steady adherence. A commitment to these attitudes may have a high degree of political and social value, but it is deadly to the writing of history. It produces the result that Herbert Butterfield calls "the whig interpretation of history." Thus, major events in American labor history—the struggles of the Knights of Labor, the Socialists and the IWW, the development of individual unions, are told and interpreted only in the light

of how they contributed to (or delayed) the unique system of industrial relations which happens to prevail in the United States in the '60s.

This approach has made us inattentive as historians to some developments, and myopic about others. There are fundamental changes going on within industrial relations and within the labor movement, whose origins and direction need examination by the historians. What are the reasons for the sharp decline in the quality of union leadership? What are the causes, and what are the effects upon union development, of the steady drift of authority and function away from local unions? What have been the whole consequences of the virtual elimination of the left wing of the labor movement? What has happened to union leaders as a result of their acceptance by management representatives?

There is another important effect of industrial relations upon labor history. The task of the labor historian is now greatly complicated because the old sources of information have largely dried up and the new ones are largely closed to the student. Christie mentions one aspect of this in his prefatory explanation of the fact that his study ends in 1941: "First, as the union centralized its administration over the years, the journals, proceedings, and reports made public contained less and less of the material out of which history may be wrought. By 1941 this material had dwindled to a trickle." This withdrawal of union decision-making from public view is only a part of the problem, perhaps a small part. The decisions are no longer made even in the same place and the same way. Today, essential decisions about the internal operations of the union, as well as about collective bargaining, may be made in consultation with management officials at times and places which are not—and in their nature cannot be—a matter of record. More and more, the official publications of unions become dreary reiterations of union dogma, often with only the thinnest pretense of reporting significant events.

The task of the historian, in uncovering and illuminating significant events after 1940, will be a new and much more difficult one. In an earlier day, the anti-unionism of the employers had at least the virtue of simplifying the historian's task. It was easy to tell the "good guys" from the "bad guys," and "success" or "progress" was easily defined in terms of members organized and collective bargaining contracts signed. The appearance of industrial statesmanship in

the needle trades could be greeted with undiluted enthusiasm. Alas—these days are gone forever. The old sources of information and the old easy judgments have gone down the drain together.

What we now need is some method of tapping new sources of information. Labor historians need to find out how the union decision-making authority was shifted, and by what devices the consequent shifts of power were made acceptable. We need to know in detail how industrial relations executives operate, and what precisely are their relations with union leaders, how dissent and revolt have been suffocated, and what are likely to be the long-run consequences of the declining role of the members. It is necessary for us to drop the easy pre-1930 assumption that the interests of officers and members of unions are always on all fours, to talk more about working class movements and less about unions and collective bargaining.

All this must be done without any pre-commitment to notions of what is and is not desirable. To some extent, this is the task of persons in other disciplines, but the basic developments can best be revealed through the pursuit of *historical* truth.

THE SENSE OF HISTORY AND THE ANNALS OF LABOR

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I

Deep, vast, seamless, and intricate is the sense of history, ever alert to change and transience, intent upon fixed stars, at home with the universal. It alone rescues the mind from the islands of its small and lonely pursuits. Only its saving grace permits man to look out over the eternal ocean of the past from peaks in Darien. The experience both shatters and restores. The genius of Thomas Mann's pelagic novels, *Joseph in Egypt*, plumbs the depths and discerns the risks. Mystery mocks research and humility replaces certainty as earliest history recedes unfathomably into time. But the humanism of Edward K. Rand comforts loss:

As our studies proceed and the writers of old seem more and more like human beings, all of a sudden our perspective is reversed, as when the planetary system of Ptolemy changed to that of Copernicus. History no longer revolves egocentrically about us; we begin to know our place in the shifting panorama of time. We no longer congratulate the ancients on being modern, but ourselves on our new-found ability to appreciate living thought by whomsoever it has been expressed. Literature has taught us how to tell the quick from the dead. We embark on a voyage of discovery, prepared to make ourselves contemporary with the best of the past, and to recognize modernity wherever there is life.¹

For nearly two generations now, as science and industry stretched the aspirations of mankind, the sense of history shallowed, diminished, fragmented, roughened, and all but vanished. This failure of imagination and intellect coincides with a unique crisis in human affairs. When peoples of earth most need global vision, scholars can readily offer separate strings of knowledge, but rarely Ariadne's integral ball of guidance. Even today's Minotaur of death by exposure cannot toss them loose from exclusive dedication to minutiae of specialized business. The intense energy, enormous knowledge, and integrating talents required of contemporary scholars

¹ Edward K. Rand, *Ovid and His Influence* (Boston: Marshall Jones, 1925), p. 169.

who might wish to strive for Renaissance scope disable them, perhaps inevitably, from balancing the details of erudition with generous learning and insight. They must continue, by default, to build sand-molds where they pour issues of the uncooled moment. Others, with equally limited purpose, but assured by tradition, embroider upon narrow bands of bygone eras.

Whether braced by trust that their creations command immediate validity, or fortified by faith that they lead to basic truths beyond prompt utility, contemporary men of learning amiably persist in the nurture of authorized apprentices who reflect blurred versions of their own image. The new men of science, the social disciplines, and the humanistic arts have come to resemble, in their brother attitudes and interests, the captains and technicians of the world. Professionally talented—often precise as bureaucrats and accountants, adroit as politicians and lawyers, daedal as physicists and surgeons, and resourceful as industrialists and engineers—they labor on, waiting for the lesser light, indifferent to the larger responsibilities of their calling.

The craftsmen in industrial relations suffer all the limitations of scholarship at large. Youthful and unformed, eager for prestige, inwardly concentrated, absorbed by the task of accumulating information, and allured by the mathematical approach to certainty, they think in constricted terms, nearly always in the present tense. Carlyle ascribed to Montesquieu the aphorism, "Happy the people whose annals are blank in history-books." By extending the original connotation of this maxim, it would follow that the savants of industrial relations must approach almost perfect felicity since they remain innocent of mankind's history beyond the very immediate past. Moreover, they ignore thoughts and events, as these unfolded over the years, even within their own narrow fields of learning.

Those who survey the procedures of personnel management lead intellectual lives of only two dimensions. True, they venture out of enclosure to seize upon testing and training, and they often wander forth to sniff the pasture lands of human relations. They seem less impelled by intellectual interest than by short crops at home. Records of their past, so leagued with administrative progress, have yet to be assembled, systematically recorded, carefully analyzed, and synthesized into history.

Colleagues in human relations recognize few limits upon either

their capacity or range. Training in social psychology, industrial sociology, and anthropology serves them well. But in their eagerness for discovery they eschew the partial sense of history which their master crafts achieved and trap themselves all too often in the morass of case studies. Notions of dynamic equilibrium thrive and monographs accumulate. For the most part, findings prove obvious or trivial in contrast to the ponderous investigations launched.

Sociologists should command the fullest sense of history inasmuch as their American and European founders embraced, as indispensable ally, the literature of the past. Unhappily, they stint their talents in controversy over the superiority of formal theory to historical analysis of complex social systems.²

Students of collective bargaining and the internal life of unions, despite the towering model raised in 1897 by Beatrice and Sidney Webb, still lack their contemporary *Summa* (compilations with only encyclopedic merit cannot qualify), or even lesser treatises of a latter-day Albertus Magnus. Year in, year out, they rove from one collective bargaining racetrack to another, gathering tips, speculating about the winners, and master-minding the results once announced. Away from the course, they delight in administrative orders, arbitral awards, and judicial decisions. They prefer the domestic scene, but when abroad, on occasion, follow routine by also playing the horses there. When this round turns monotonous, some venture into the theory of games, while others fashionably weave, out of recent industrialism and industrial man, the web of rules, convinced that they repeal the rule of the Webbs. All of them attain the summit of speculative inquiry when they argue the virtues of free collective bargaining.

Labor economists once flourished within the broad institutional approach to economic analysis. They accepted history as an indispensable asset. Today, some who follow that tradition at least in part pursue narrow interests in order to garner fresh knowledge. The aim, while worthy, relinquishes the responsibility to fit segments into the whole and to provide deeper understanding through historical perspective. Insensitive to broad change, they virtually ceded to the general economists the task of dealing with wage-push inflation and the role of unions in emergent economies—two central

² Seymour Martin Lipsit and Neil Smelser, "Change and Controversy in Recent American Sociology," *The British Journal of Sociology*, Vol. XII, No. 1 (March 1961), pp. 41-51.

issues in labor economics during the postwar decades. Other labor economists draw deserved admiration for their attempts to devise large concepts of integrative character. But they too usually ignore history since its waywardness might tend to ruffle the formal elegance of their typologies. Still other labor economists have turned, almost fullface, from institutional analysis to seek neo-classical certainty once more. For all too many labor economists, of whatever persuasion, the course of economic thought, let alone the sweep of human affairs, remains quite simply a course, taught or taken.

Labor law delves into old cases, but dotes on the most recent legislation. Study usually ends at the dull side of speculation by avoiding legal history, philosophy, and foreign systems.

Social security and protective labor legislation, reinforced by the health and welfare provisions of collective bargaining agreements, might base origins in ancient and medieval theory and practice. Students concentrate, however, upon legislative clauses, agency directives, and court opinions. New frontiers in social security now move on toward old members of the community. Perhaps thought in this emerging field may rest awhile on the experience of other cultures in other times with aged people in their societies, but the odds fall heavily against this likelihood.

Throughout all the branches of industrial relations, disciplines so essential to the welfare of the contemporary world, the sense of history, with its depth, reach, and contemplative spirit, fails to stir.

II

Watchman, what of labor history?

Scholars concerned with the paramount drama of pity and terror in the modern world—the revolt of industrial workers against the poverty and degradation ordained for them by the gods of the market place—have contrived to turn its most vibrant crises into lead. As soon as labor history received professional attention in the United States, the short and simple annals of the poor began to bulk. Richard T. Ely's influential volume of 1886, *The Labor Movement in America*, sagged under the load of sundry materials held loosely together by strips of solemn Christian moral advice. After the organization of the American Bureau of Industrial Research by Ely in 1904 and the advent of John R. Commons to Madison that year, the age of pioneers began in earnest. Commons and his young

colleagues conducted intensive research and presented their findings in pointillist fashion, apparently convinced that fine dots of pure detail, crowded side by side upon the canvas, would capture the full glow of labor's advance in the United States from colonial beginnings until 1896. Despite that impressionistic hope, the publication of their work under a single title in 1918 never concealed from steadfast readers the monographic nature of the two volumes.

The founding group at Wisconsin perhaps lacked the single mind to integrate their encyclopedic findings. This failure must excite regret, since they gave evidence, upon occasion, of understanding that the course of American labor took direction from technological advance, widening of markets, extension of transport and communications, rapid industrialization, surge of democratic spirit, strengthening of free institutions, spread of massive cities, unprecedented gains in productivity and real wages, appearance of powerful private governments within the orbit of national life, and vigorous expression of social protest. Indeed, Commons and his six associates attempted to employ aspects of these themes as frames of unity by sketching them dutifully in the usual, last-minute, introductory chapter and scattering them in paragraphs here and there throughout the text. True, they surrendered jurisdiction over the study of union government to Johns Hopkins, thereby overlooking labor's long search for durable organizational structure as a coordinative idea. They also neglected, for the most part, those elements in the experience of British and European unions, except for socialism, which might have influenced or paralleled American developments. They did, however, isolate decisive forces of uniquely American character, like the presence of free land, the federal system of government, early universal manhood suffrage, immigration, and extreme fluctuations of the business cycle. But these attempts to transcend historical accountancy came too haphazardly and too seldom. Nor did the early Seven, in compensation, enhance their scholarship with grace of style.

Later writers continued the flat-minded, provincial, and partisan tradition of the Wisconsin School. Like the masters at Madison, they sacrificed conceptual clarity for annals saturated with detail. To this day, no historian of labor has even approached the brilliance of Charles and Mary Beard who published *The Rise of American Civilization* in 1927, only nine years after the appearance of the

History of Labour in the United States. The Beards possessed the insight to match literary expression with dignity of theme, authoritative knowledge of the leading divisions of history, talent to finger the precise point within each division where the subject under discussion impinged, sensitivity to the constant undertow which inexorably joins past and present, awareness of the powerful and ruthless forces at large in human affairs, and brooding awe before veiled destiny.

Why has the sense of history escaped the annalists, except for Selig Perlman and Frank Tannenbaum? First, academic accident, which Ely precipitated by attracting eager young scholars to his field for the pursuit of labor history, must bear heaviest responsibility. By turning to economics for training, these students often neglected history and the humanities where they might have glimpsed the larger meaning of their studies. Instead, among economists they absorbed that de Chirico atmosphere of aridity which the discipline tends to exhale. Perhaps this primary exposure inured them to scrupulous marshalling of discrete data and lifeless prose. Secondly, the Wisconsin School flourished in the very environment where Frederick Jackson Turner had directed the study of American history inward, away from foreign origins toward the transfiguring western frontier. The illustrious Turner and his less learned disciples, intellectual nativists at heart, minimized the weight of alien baggage, whether from the Atlantic coast or Europe, once the pioneer unpacked it upon virgin soil. To prove the bold and heroic hypothesis, research centered on voluminous records of local import, readily available near every state university, and bestowed prestige upon the most provincial detail. Thirdly, after World War I, keen interest in labor history flagged among economists; historians never assumed the abandoned task. The volume by Perlman and Taft in the Wisconsin series waited until 1935 for publication. These diligent scholars performed prodigious feats in disposing the rush of events during the crucial years between 1896 and 1932. Thus, the dearth of research imprisoned the few active labor historians within primary investigation. They drank, perforce, too deeply of the springs, not of Pieria, but of government reports and investigations, newspapers, and union periodicals, proceedings, and documents. Fourthly, the natural sympathy of labor historians for the victims of injustice, when combined with narrow historical perspective, maimed objectivity.

Labor historians should have forsaken bare chronicles from time to time and reflected upon the meaning of events. They should have identified themselves less wholly with the struggles they narrated. They should have considered more closely the stated and implied values of the movements they traced with obvious sympathy. Had their critical faculties stirred, these annalists could then have summoned up the serene spirit of the past and calmly appraised the new men and institutions of labor as they forced themselves into the cavalcade of history. By contemplating the rise of other classes in other eras and civilizations, they could have approached with proper discrimination the capacity of union powers and dominations for creative rule in a democratic society. With only these few elements of the sense of history to guide them, they could have perceived more clearly the nature of unions and the quality of their influence upon the nation at large. For example, they might have discerned an abiding characteristic of modern labor movements in the western world, whether conservative or radical: their incapacity, early and late, for autonomous social innovation because of long dependence upon the middle classes for ideas and imagination. The following section of this essay outlines the bases of this hypothesis for the American scene in order to illustrate one type of inquiry which the sense of history encourages.

III

The American labor movement never commanded independent imagination and ideas of its own. Sprung from conflict, constantly beleaguered by forces from without, and closed in by the outwardly enforced tactic of negation, unions have necessarily suited and readjusted their structure, internal arrangements, and policies to fit the organization of the crafts and dynamic industries where they operated. Unions survived and advanced only by responding shrewdly and fast to the practices and strategies initiated by the opposition. Employers always acted; unions reacted. Even when they chanced the first step of the encounter, they sought to thwart and divert expected threats. As long as they regarded their mission as the procurement of gains from plant, mine, mill, and company, they had to move, by dint of functional circumstance, within systems and limits set by predominant influences within that restricted but familiar environment. Whenever the labor movement attempted to separate its ultimate purpose from the milieu of work, or whenever

it remained on home ground but expanded its goals, the very character of its inherently confined position forced it to turn for basic ideas to that perpetual fountainhead of intellectual energy: middle-class thinkers, writers, religious leaders, politicians, economists, social reformers, idealists, humanitarians, and radicals. The labor movement could no more transcend, through inner drive, its reactive, negatory, and dependent spirit than the business and industrial community could rise, at will, above its authoritative and narrowly economic temperament. Today, when both the immediate industrial aims and larger aspirations of the union movement concern public policy at the highest political levels, the present impasse in its fortunes should provoke no surprise since that predicament traces back to the persistent and indwelling poverty of labor's derivative imagination.

Between 1800 and 1829, craftsmen of the growing cities participated, to the extent of their still inconsequential numbers, in the drive for universal white manhood suffrage. But these artisans, like other citizens, turned for warrant to the Declaration of Independence as gospel, the American Revolution as inspiration, and the French Revolution's cry of natural rights and equality of man as dogma.

During the struggle for equal citizenship from 1827 to 1832, the score of demands by enfranchised workers ranged from the agrarianism of Thomas Skidmore and reformation of the militia system, legal procedures, and civil service, to imprisonment for debt, mechanics lien laws, child labor, and the tariff. But driving initiative, both before the workingmen's parties appeared and after they collapsed, came from Jacksonian politicians and humanitarians like Thomas Herttell, George Ripley, Theodore Parker, Ralph Waldo Emerson, Henry Thoreau, Orestes Brownson, and members of the Prison Discipline Society of Boston. The feeling prevailed "that all things must be new in the new world." The labor parties adopted their principal plank—free public education—not when they formed, but only after agitation in the community fired them to that purpose.³ No objective scholar can deny the beneficent influence exerted by these parties. Yet, labor historians have tended to exaggerate the size and originality of their contribution. The doctrine of state guardianship, espoused by the extreme wing of the movement, derived from radical middle-class allies, Frances Wright and Robert Dale Owen. Moreover, after 1832, the demand for free public

education "seemed gradually to diminish and in the forties very little. . ." was "heard about education from the spokesman of the workers."⁴ Therefore, a dispassionate historian must emphasize, as Helen L. Sumner did not,⁵ that the leading viable ideas and effective pressures of this crusade came from respected public figures years before the labor parties had started, and continued after their demise until the passage of operative local and state legislation at the end of the 1840's: Nicholas Biddle, James G. Carter, James Freeman Clarke, the trustees of the Public School Society in New York, Horace Mann, William Ellery Channing, Samuel Lewis, Robert Rantoul, Jr., Thaddeus Stevens, DeWitt Clinton, William Henry Seward, and Henry Barnard.

Ideas of radical social transformation dominated the minds of thoughtful workers during the 1840's because the prolonged depression stifled the revival of labor unions. The philosophy advanced by Charles Fourier as cure for the chaos and waste of industrial competition captured the fancy of Albert Brisbane, Horace Greeley, and a distinguished company of "historians, essayists, orators, journalists, poets, and artists" who championed associational deliverance for the distressed masses.⁶ Although scattered workers responded to these highly articulated schemes for social harmony, the ethos of American labor now centered in revived agrarianism. George Henry Evans, of lower middle-class English origin, domesticated the radical doctrines of Thomas Skidmore, who had based his beliefs on Thomas Spence and Thomas Paine, by concentrating his political appeal upon the seemingly inexhaustible American public domain. The few labor leaders of the 1840's and 1850's who cared about women's rights, the abolition of slavery, or the peace movement, looked to the humanitarians of the era for inspiration and argument.

The National Labor Union, after its inaugural congress in 1866, stressed for only one year the reduction of the working day to eight hours. At first inspired by the persuasive economic doctrines of Ira Steward, who like many union leaders of the time read John Stuart

⁴ Frank Tracy Carlton, "Economic Influences upon Educational Progress in the United States, 1820-1850," *Bulletin*, 221, Economics and Political Science Series, Vol. IV, No. 1 (Madison: University of Wisconsin, 1908), p. 39, p. 75.

⁵ *Ibid.*, p. 74.

⁶ John R. Commons and Associates, *History of Labour in the United States* (New York: Macmillan, 1918), Vol. I, Part II, Chapters III, IV, V, and VI.

⁷ *Ibid.*, Vol. I, p. 502.

Mill and other transitional economists closely,⁷ the confederation subsequently lost itself in the greenback brand of monetary reform elaborated by Edward Kellogg, a New York merchant, almost twenty years earlier in his book, *Labor and Other Capital*. During the 1860's and 1870's, workers also turned to cooperation, first expounded by Robert Owen in the 1820's, as it developed on the American scene out of the associationism of the 1840's. They responded to the failure of strikes or to unemployment by venturing available pooled capital in cooperative workshops. Thomas Phillips, a shoemaker from England, took the lead in advancing the cooperative cause. He regarded distributive cooperation as merely a useful forerunner of producer cooperation. George Jacob Holyoake, a British middle-class Owenite lecturer and historian of the Rochdale pioneers, had fired the enthusiasm of Phillips.⁸

When the Knights of Labor embarked upon their national career in 1878, they implied through preamble and platform that the long quest for purpose and structure by American unions would find surcease at last. They hoped to create labor solidarity as a bulwark against the new industrial monopoly which had robbed the "masses, ignorant and unorganized . . ." of "their one possession, their craft skill. . . ."⁹ Yet, ironically, they challenged the corporate order not in the mood of dispossessed workers, but in the spirit of the lower middle classes. They inherited that spirit from the National Labor Union, the Industrial Congresses of 1873-1875, the Industrial Brotherhood, and the Sovereigns of Industry, modelled upon the Patrons of Husbandry. The careers of Uriah S. Stephens, James L. Wright, Terence V. Powderly, and other dignitaries in the Knights not only shed light "upon the way in which the labor leaders of the mid-century moved in and out of the wage-earning class . . .,"¹⁰ but also thrust into bright relief their commitment, not to a labor federation, but to a popular movement resolved to resurrect a vanishing nation of independent farmers, shopkeepers, and small manufacturers. The Knights could not accept the logic of their own analysis, nor could the hard-beset middle classes whose discontent found sudden expression in 1879

⁷ Clifton K. Yearley, Jr., *Britons in American Labor*, The Johns Hopkins University Studies in Historical and Political Science, Series LXXV, No. 1 (Baltimore: Johns Hopkins Press, 1957), p. 162.

⁸ John R. Commons and Associates, *op. cit.*, Vol. II, p. 39, footnote 47; p. 110.

⁹ Norman J. Ware, *The Labor Movement in the United States, 1860-1895* (New York: D. Appleton, 1929), p. 50.

¹⁰ *Ibid.*, p. 29.

with the appearance of Henry George's *Progress and Poverty*. Inwardly, the Knights yearned to preserve America's rural and small-town past through cooperatives at the very time when the spread of dark satanic mills spawned urban blight and blackened the countryside. Outwardly, like their English comrades in the revolutionary period between 1829 and 1842, they hankered after middle-class respectability through secret rituals, regalia, initiation rites, passwords, and grandiose titles of Masonic provenance. Beatrice and Sidney Webb might have been describing the Knights when they characterized the program of the Parliamentary Committee of the British unions between 1875 and 1885: "Curiously devoid of interest or reality, it is important to the political student as showing to what extent the thoughtful and superior workman had, at this time, imbibed the characteristic ideas of middle-class reformers."¹¹

The AFL rejected outright the mentality of the lower middle classes, to both its credit and immediate advantage. Yet, like all earlier labor movements, it too borrowed its intellectual equipment from others. It preferred, however, the economic assumptions of the industrial lords of creation. The voluntarism of the AFL relied upon economic strength. It thrived, logically enough, on successful collective bargaining, which, in turn, derived its appeal from the sanctified middle-class veneration of contract, "that greediest of legal categories," in Frederick William Maitland's perceptive phrase. Thus, voluntarism accepted with pride the challenge of *laissez faire*, in the harsh terms laid down by labor's mighty opponents, down to the letter of expedient shifts in dogma. Herbert Croly, astute and prophetic, tagged this ideational affinity of enemies in 1909:

"The large corporations and the unions occupy in certain respects a similar relation to the American political system. Their advocates both believe in associated action for themselves and in competition for their adversaries. They both demand governmental protection and recognition, but resent the notion of efficient governmental regulation."¹²

This circumstance led to tragedy when the AFL's imagination, stultified through dependence and neglect, left the organization immo-

¹¹ Sidney and Beatrice Webb, *The History of Trade Unionism* (London, New York, Bombay and Calcutta: Longmans, Green, 1911), pp. 113-114, footnote 1; p. 352.

¹² Herbert Croly, *The Promise of American Life* (New York: Macmillan, 1909), 1914 edition, p. 130.

bilized during the prosperous 1920's and routed at the onset of the depression. Paralyzed by moribund principles, it lost respect, forfeited serious national attention, and lacked enough awareness, inner drive, and adaptive will to search beyond its ranks for saving ideas and creative goals. History can record that the AFL abandoned voluntarism reluctantly. As misery mounted from day to day, it did not vacate its laissez-faire stand against unemployment insurance and old-age pensions until late in 1932. Certain conservative labor leaders continued to oppose minimum wage legislation until the eve of its enactment in 1938. Nor can the history of the New Deal credit union life with initiative, fresh thought, or meaningful contribution to the measures which brought food, clothes, rent, and hope to American workers: the Civilian Conservation Corps, FERA, the Civil Works Program, WPA, the NRA, the Wagner Act, the Social Security Act, and the Wages and Hours Act.

The CIO braved the official labor movement, still openly contemptuous and administratively fearful of mass-production workers, with youth, excitement, vigor, drive, and a determination to replace autocratic factory rule with industrial democracy, that dream of middle-class progressives before World War I. An aura of its energy and daring, then confused with original ideas and regenerative vision, lingered in the public mind until mid-century. But internal warfare, fringed business unionism, and hardening into empire brought disenchantment. These developments also laid bare the basic debt of the CIO itself to the intellectual agility of the middle classes within and outside of government. The merger of two federations, stale in appropriated New Deal thought, could not breed, by magic, mental resilience in new times. Today, the results of this constant and perhaps congenital parasitism stand clearly before the nation. Organizing drives fail. When confronted with a clear decline in the unionized proportion of the work force, or faced with a trend-reversing decrease in the percentage of employees engaged in the goods-producing sectors of the economy, union leaders answer these grave threats to power by oratory about girded loins. Jurisdictional disputes remain bitter. Under the menace of automation, foreign competition, and hard-core unemployment, labor leaders offer platitudes. They deny inflation, or minimize it, or take refuge behind the hallowed battlements of free collective bargaining. When they deal with their own unionizing employees, they seek shelter in pure hypocrisy. They answer charges

of racial discrimination with resentment, not humble shame. Their international attitudes might plausibly bear the official stamp of the State Department. They plod on, insensitive to public opinion, despite disastrous experience inscribed in statute books since 1947. The incompetency and transparency of their public utterances, not their self-serving quality, cause embarrassment. In all, the widespread failure of labor's intelligence and imagination has left unions naked to their enemies and, worse yet, to their friends.

The immediate future will see, at best, little modification in the ideas and attitudes of the labor movement because its few remaining middle-class allies themselves still peddle superannuated New Deal formulas. These allies have become true conservatives; they cling to the concepts of their youth and rehash easy thoughts for the public good as occasion requires. Meanwhile, in the private pursuits of maturity, the perennial New Dealers gather rewards from a society long since bored with the Roosevelt revolution and all its works. During the coming decade, that small band of faithful survivors will alone provide so-called thought to labor unions. Certainly, AFL-CIO leaders will receive neither comfort nor ideas from the generous-minded segments of the middle classes who have already transferred their concern, loyalties, and mental fight away from unions in prosperity to the destitute peoples of the world. Since labor's spokesmen have never created new ideas for themselves, this shift of sympathy will limit them in their public utterances to the repetition of warmed-over middle-class notions from the 1930's.

IV

The annalists of labor may also prefer to remain among the relics of the past. But if they elect, instead, to pursue the sense of history, they must first assume the burden of impartiality. Next, they must interrupt their detailed chronicles and design their findings as part of the economic, social, political, intellectual, and cultural development of the nation. In addition, they must relate the fortunes of American unions to the ebb and flow of foreign labor movements and trace the reciprocal influences of these institutions. Finally, they must use the English language to enliven and clarify thoughts and events, not to desiccate them. Only then will works emerge with enough historical perspective and wisdom to illuminate the rise, or perhaps the fall, of the American labor movement.

INFLUENCES OF THE ECONOMIC ENVIRONMENT ON THE STRUCTURE OF THE STEEL WORKERS' UNION

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The study of union structure—and specifically the problem of centralization and local autonomy—is relevant not only to the understanding of industrial relations but also to the broader issue of union democracy. The degree of democracy within a union depends, among other things, upon the degree of centralization of authority which characterizes its government. This is so because union members in this country have generally expressed a fairly stubborn preference for local autonomy over central government at the same time that they have evinced strong preference for collective bargaining over other types of activity as an instrument for the achievement of their most highly regarded objectives. Since the degree of centralization required for efficient bargaining depends on the nature of the particular industrial environment, there exists in principle an appropriate, or optimal, degree of centralization for each national union. Too little centralization can frustrate the members' preference for maximizing the potentialities of collective bargaining, while more centralization than is required for this purpose by the industrial environment can run counter to their desire to retain as much authority as "possible" at the local level.

Empirical research on the influence of the economic environment upon the degree of centralization of authority within a national union has resulted in the identification of two fairly distinct structural types—or stereotypes. The first is the highly centralized national union which is located in an industry so competitive (e.g. coal mining, the garment trades) that the membership have come to accept centralization of authority as a necessary condition for the existence of an effective bargaining institution. The second type, in contrast, is approximated by unions in "local market" industries (notably the building trades), which have long been characterized by a high degree of local autonomy. These findings support the proposition that a high degree of competition in the product or labor markets is likely to be reflected in a high degree of centralization. They do not, however, support the proposition that a high degree of centralization neces-

sarily reflects a high degree of competition in the union's jurisdiction; in fact, some of the more highly centralized national unions are found in industries characterized by only a limited degree of price competition.

The steel workers' union fits into neither of these two typical categories. It resembles, perhaps, the second type more than it does the first, for, while competitive forces have indeed generated pressure for uniformity in labor-market policy and practice among producers, some of this union's most prominent structural attributes may be viewed as responses to environmental conditions which have resulted in, or have been associated with, the relative lack of price competition. However, some of the latter conditions have exercised strong centralizing forces upon its structure in addition to the localizing influences which the experience of local-market unions might have led us to predict.

ECONOMIC CHARACTERISTICS AND PRICING POLICIES IN BASIC STEEL

The centralizing influences generated by the union's economic environment originated in certain characteristics of basic steel, the jurisdiction in which nearly half of the Steelworkers' members have been employed. These characteristics are, first, a high degree of short-run essentiality as an input in a large number of industries manufacturing durable goods and, second, techniques of production which (at least until the present time) have been characterized by very high costs of plant and equipment and also by rather high labor-cost ratios. Widespread essentiality to durable goods industries has made the level of demand for steel peculiarly responsive to cyclical downturns; it has also meant that the demand for steel is price-inelastic in the short run. Under these conditions steel producers have traditionally sought to adopt pricing policies that would result in (a) resistance to cyclical declines in prices and (b) price levels sufficiently high to enable them to "break even" at the lower rates of output which rigid prices would help to generate in recessions and depressions. At the same time they have been protected from competition by newcomers—who might have otherwise been attracted at established price levels—by the high capital outlays required to build additional capacity. Thus, having provided steel producers with keen incentives to erect a system of administered prices, the basic economics of the industry also provided that system with a good deal of natural

immunity against assault from without. (Competition from foreign producers has been a recent exception of increasing significance.) As a result, the industry has remained under the domination of a few large-scale, multiplant firms; the entry rate has been extremely low, with only eight newcomers since World War I.

THE CENTRALIZING EFFECT OF EMPLOYER RESISTANCE

The large multiplant firms which have dominated basic steel ever since the merger movements in the second half of the nineteenth century have possessed great powers of resistance to the demands of unionists. In the event of "labor trouble" at some of their mills, such firms could normally divert struck work to other plants. From the unionists' viewpoint, this meant that, in order to be successful, a union had to be at least companywide in scope; hence the demand of the Amalgamated Association of Iron, Steel and Tin Workers in 1901 that the newly formed United States Steel Corporation recognize the union in all of its tin, sheet, and hoop mills, including those hitherto unorganized. Moreover, the facts that the steel firms were large, liquid, and profitable at even rather low annual levels of operation added greatly to these employers' powers of resistance. Enterprises that proved able to weather the Great Depression without suffering a single casualty were well equipped to take strikes, if they wished to do so. (They could also afford wage policies and employee benefit programs which were designed in part to forestall unionism by making their employees more contented.)¹

The industry's powers of resistance were such that only a broad effort by a competently led, well financed, and centralized labor organization stood any chances of succeeding where the Amalgamated had failed in 1901, where the A. F. of L. had failed in 1919 (due in part to lack of sufficient authority over the reluctant Amalgamated, on the one hand, and the twenty-four jurisdiction-conscious national unions, on the other), and where a zealous but amateurish Rank-and-File opposition within the Amalgamated had failed in 1934-5. In 1936-7, as the result of a revolution within the American labor move-

¹ See Charles A. Gulick, *Labor Policy of the United States Steel Corporation* (New York: Columbia University, 1934), pp. 100, 111-184; (Jesse S. Robinson, *The Amalgamated Association of Iron, Steel and Tin Workers* (Baltimore: The Johns Hopkins Press, 1920), pp. 58-63; John A. Fitch, "Unionism in the Iron and Steel Industry," *Political Science Quarterly*, Vol. XXIV (March 1909), pp. 57-79.

ment which he had led, John L. Lewis was able to produce an outside-aid-and-direction formula which was a distinct improvement over the 1919 version. The establishment of the Steel Workers' Organizing Committee—and its acceptance by the old Amalgamated Association—meant that the steel workers would be not only liberated but governed by men who came from outside their own industry. Delegates to the first convention of the SWOC found a neat summary of the organization in the report of Secretary-Treasurer McDonald:

The grant of authority under which the organizing campaign is being conducted clearly indicates that the financial policy of the International Organization is vested exclusively in the executive officers and the directing members of the Committee who were appointed by the Chairman of the Committee for Industrial Organization.²

The Committee, notwithstanding its representatives from the two garment trades (and the Amalgamated), was not governed by the C.I.O., although the latter was entitled to audit its books. Nor was it governed by the United Mine Workers; for, although financial and emotional ties were strong and although the power within the new union was held by miners dispatched to the SWOC by Lewis, these appointive officers and their own appointees ran the internal affairs of the union pretty much on their own. Nevertheless, unlike the development of most of the older national unions, national organization preceded the establishment of independent unionism in steel. Although the national officers—and the Chairman of the C.I.O.—began signing collective agreements as early as 1937, the organization did not hold its First Constitutional Convention until 1942. Two conventions—the first in 1937 and the second in 1940—preceded that event, but they were “Wage and Policy Conventions” which armed the national executive with significant authority over negotiations, strikes, finance, and territorial jurisdictions, but which ruled out adoption of a national constitution, a convention, and rules for the election of national officers. Various reasons were given for the delay in calling a constitutional convention, but the most compelling was the argument that continuing employer resistance (mainly in Little Steel) required the continuance of tight control by the national executive over the newly founded locals.

² *Report of the Secretary-Treasurer to the International Wage and Policy Convention of the Steel Workers' Organizing Committee, 1937*, p. 26.

MAKING THE BEST OF A COLLECTIVE BARGAIN?

I should also like to suggest that the political economy of basic steel exerted a centralizing effect upon the union by encouraging employer acquiescence in collective bargaining as a means of achieving the objective of price stability during a period when conventional methods had apparently failed. (This does not imply a collusion theory of industrial relations, nor do I subscribe to such a theory.) In an industry in which direct labor costs have regularly exceeded a third of gross revenue, price administration and price leadership had always required a considerable degree of wage administration and wage leadership. In the interest of preventing price reductions, U. S. Steel frequently had been hesitant in raising wages and quite loath to reduce them.³ During the depression, however, U. S. Steel's leadership was threatened by other firms which, out of weakness in some cases and aggressiveness in another (National Steel), were tempted to cut wages as a prelude to cutting prices. In a speech before the Iron and Steel Institute in 1931, President Irwin of U. S. Steel had denounced many Little Steel executives in the audience for wage cutting. During such lapses from friendly competition, U. S. Steel had to fight a rearguard action in defense of crumbling wage and price positions and, as the last gentlemen, it suffered differentially. The fact that the Corporation announced a wage cut (on October 1, 1931) only after most of the other companies had already cut wages and prices contributed to the exceptionally great decline in its sales and output between 1929 and 1933. In fact, U. S. Steel's price-stabilizing role in past downswings had probably made some contribution to its historically slow rate of growth; and this in turn weakened its ability to hold the rest of the industry in line during the early 1930's.

During the NRA period the government tried to come to the rescue of steel and other industries caught in a crisis of liquidation. The antitrust laws were suspended, and the administration of steel prices was placed in the hands of a Code Authority which consisted of the board of directors of the American Iron and Steel Institute. Wages were raised, but increases in prices and output (which were not necessarily a consequence of the NRA program) were sufficient

³Lloyd Ulman, *The Union and Wages in Basic Steel*, "The American Economic Review", Vol. XLVIII (June 1958), p. 420.

to generate increases in net incomes throughout the industry. Thus U. S. Steel's burden of leadership was lightened.

But soon rising prices stirred public fear of inflation, and rising profits revived dormant hostility to monopoly, with the result that governmental encouragement of price administration gave way to widespread criticism of the industry's traditional basing-point system of pricing. (By the spring of 1937, the industry feared that the antitrust laws would be applied more stringently than ever before by the Roosevelt Administration and the Federal Trade Commission and that these laws would be strengthened by Congress.) Under these circumstances, the prospect of resuming, unaided, the burden of leadership could not have been inviting. But perhaps aid could be found in another quarter this time. If John Lewis could furnish the industry with a floor under wages, could one be certain that his demand for recognition was the knock of doom and not of opportunity?

Moreover, U. S. Steel had failed to catch up with its major rivals, all but three of whom had declined precipitously in the preceding downswing. As a result of dissatisfaction with the Corporation's performance, a new top management team, led by Myron Taylor, the Board Chairman, and President Benjamin Fairless, inaugurated a large-scale rebuilding program. In 1935 alone, \$132,700,000 was invested in new continuous strip mills and in capacity specialized to supply the automotive and can industries, areas which the Corporation had previously neglected. A strike would have delayed this catch-up program. Thus, U. S. Steel had good reason, both as price leader and competitor (and the latter role reinforced the former), not to slam the door shut against the union.

One could argue that, in departing from the industry's tradition of nonunion industrial relations, U. S. Steel reinforced the equally venerable and revered tradition of price stabilization. By controlling wages, the SWOC might prevent the occurrence of large-scale wage-and-price cutting and accomplish the Blue Eagle's old mission. In fact, the SWOC gave promise of becoming an effective institutional support for wages and prices in a period of sharply reduced demand even before the Little Steel holdouts, who controlled nearly half the industry's tonnage, were organized. In the depression year 1938, U. S. Steel renewed its contract with the union without insisting upon a wage reduction. According to Philip Murray, the corporation, which

was reluctant to cut wages and prices at that time, was persuaded by the union's argument that a renewal of existing contract terms would deter the nonunion firms from reducing their wages and prices.⁴

On the negative side, union recognition would entail future wage and price increases in excess of those which the industry would have been willing to post in the absence of the union. Even so, given union support of wage levels, such price increases might reasonably be regarded as less reversible than price increases in response to temporary upswings in demand. Moreover, if internal financing of investment projects (especially in U. S. Steel) made *some* price increases desirable, would it not be more politic to intertwine these with *negotiated* wage increases—especially since the industry's alternative had been to add to the inherent unpopularity of price increases by linking them with wage movements that were designed to frustrate collective bargaining? For while price-setting was again coming under its inherent cloud of public disfavor, wage-setting under collective bargaining was winning a greater degree of popular approval than it ever had before.

THE CENTRALIZING INFLUENCE OF BASIC STEEL BARGAINING

Thus, while this oligopolistic industry's great ability to resist organization exerted a centralizing influence on the structure of the union, the existence—or prospect—of a strong national union in basic steel might have interested the hard-pressed leading firm in the stabilizing potentialities of collective bargaining. Furthermore, collective bargaining, since its establishment throughout the industry, has reacted upon the union so as to reinforce the national authority. It has done so in at least two ways. In the first place, it was inevitable that bargaining in basic steel would be as intimately involved with public opinion and national politics as the industry's pricing and financial policies had been. Public concern in the postwar period, first with the "national emergency" potential of steel strikes and, later, with the inflationary potential of steel settlements made it

⁴*Steel Labor*, February 18, 1938, pp. 1, 3 and 4; March 18, 1938, p. 5. Five months after the contract was signed, however, the industry announced a general price cut. The reaction of Murray, who had previously denounced Girdler and Republic for price cutting, would have done full justice to a president of U. S. Steel—or of the coal miners' union. He issued a statement to the effect that the union "views with apprehension the terror-stricken condition of the steel industry brought about by a system of cut-throat competition and resulting destroyed earnings."

inevitable that both parties would have to negotiate with the government as well as with each other. This meant that the union's top negotiating team would have to be granted wide discretionary authority in negotiating the U. S. Steel settlements—and that the regionally elected Wage Policy Committee, on the one hand, and the company negotiating committees, on the other, would have to assume subordinate roles. Their ability to influence their respective negotiations has by no means been negligible, but neither has it been decisive.

In the second place, the recent tendency for collective bargaining in basic steel to become further centralized⁵ has tended somewhat to increase the authority of the International at the expense of the districts. Although the International president's authority has always been preeminent by virtue of his direction of the leading negotiations with U. S. Steel, the other union negotiating committees, most of which were under the chairmanship of district directors, enjoyed considerable autonomy in working out the details of their respective agreements. In 1955, however, negotiations with the six leading firms were held in the same place, and McDonald became chairman of all six negotiating committees. The district directors were demoted to vice-chairmen. The following year, bargaining was conducted for the first time by an eight-man "summit committee"; and, although separate company negotiations and agreements were retained, the innovation further enhanced the authority of the three International officers and the chief counsel, who represented the union at the summit.

GEOGRAPHIC WAGE DIFFERENTIALS

While the impetus towards greater centralization of bargaining has recently come from the industry, it was originally provided by the union. The union's interest stemmed partly from its desire to eliminate geographic wage differentials. Under the industry's basing-point system of pricing it was not necessary that unit labor costs be equalized throughout the industry; when the SWOC came into being, there were some twenty-eight geographic wage "districts" in basic steel. From the outset, the new union trained its sights upon these geographic differentials. Although the International officers originally feared that they would confer economic advantage upon

⁵ For an analysis of the causes of increased centralization see Jack Stieber, "Company Cooperation in Collective Bargaining in the Basic Steel Industry," Industrial Relations Research Association, *Proceedings of the Spring Meeting*, 160, pp. 614-621.

some of the largest nonunion producers (Republic in the South and Bethlehem in the East), their concern did not abate after the period of economic stringency had disappeared and (subsequently) after the Little Steel holdouts had been brought under contract. The remaining southern differential continued to be a source of great dissatisfaction, especially since it accounted for a large part of the difference in pay between white and Negro members.⁶ The adoption of a resolution favoring industrywide bargaining in 1942 and the International's subsequent involvement in the ambitious attempt to establish a uniform job classification and wage structure throughout the industry were motivated in great part by a desire to eliminate these and other economically viable geographic wage differences. Thus the existence of geographic differentials served as an additional nationalizing influence. It did so, however, not primarily because it posed a "competitive menace" to union standards, but mainly because (a) it aroused a feeling of injustice in the minds of a substantial number of the members and their officers and (b) the national union was the only institutional implement available to them for eliminating this class of "inequities."

SOME DECENTRALIZING INFLUENCES

The limited nature of competition in basic steel was also reflected in nongeographic differences in basic hourly rates, incentive earnings, and labor efficiency. However, while such differences have given rise to grievances among the membership, the national union is not necessarily the best institution for resolving problems of equity that are not industrywide. Where standards of equity vary with differences in local sentiment, tradition, and shop politics, and especially where the interests of different groups of members come into conflict, local autonomy is the better part of International valor. The International's participation in an industrywide program for the elimination of wage inequities was, as we have suggested, a means for the furtherance of recognized national objectives; it served as a substitute for a general wage increase during wartime wage controls and as a device for furthering its efforts to eliminate geographic wage differentials. Moreover, the union administered the job classification scheme in a decentralized manner. It should be further noted that

⁶ United Steelworkers of America, *Proceedings of the First Constitutional Convention*, 1942, Vol. One, pp. 295-296.

the Joint Wage Rate Inequity Negotiating Committee failed to reach agreement on "the principles for determining a fair day's work" in the postwar period, with the result that many problems concerning incentives were left to resolution at the local level despite the existence of great interfirm differences with respect to incentive coverage and earnings. Finally, the International has strenuously resisted management efforts to remove from local practices—established either by custom or local agreement—the protection afforded them by the famous clause 2B.

The union's nonbasic jurisdictions, to which over half of its members belong, have thus far also exerted a net decentralizing influence upon structure. Due to more intensely competitive conditions (including foreign competition in some cases), incomplete unionization, or rival unionism, most of the "kindred industries" have been unable to keep pace with basic steel in wages and other benefits. The top officers of the Steelworkers have frequently announced their intention to secure uniform economic conditions in all the jurisdictions. Nevertheless, recognition of variations in the degree of the union's bargaining strength has resulted in granting greater discretionary authority to district directors in conducting negotiations with nonbasic units than they could achieve in basic steel.

Various representatives from nonbasic locals, dissatisfied with sub-basic conditions, have long urged the creation of distinct industry organizations, but Murray had always opposed what he regarded as unions within a union. However, he permitted the locals in aluminum and cans to hold prenegotiation "conferences"; and the McDonald Administration has made progress in securing common contract expiration dates and has sponsored a series of industry conferences in nonbasic jurisdictions. Indeed, Vice-President Howard Hague recently requested the Industrial Union Department of the AFL-CIO to join the Steelworkers in securing common expiration dates and uniform standards throughout each of the industries involved. Thus the Steelworkers' multi-industrial structure may exert a different type of centrifugal pull on the union's structure in the future from what it has in the past.

CONCLUSION

In summary, we might observe that the Steelworkers' national authority is supreme in many vital areas, including financial administration, the control over strikes, and the negotiation of contracts with

the larger employing units, especially in basic steel. However, the scope of the national union's authority does not appear unduly wide in view of the members' strong interest in maximizing the returns from collective bargaining, on the one hand, and the centralized character of much of the union's economic and political environment, on the other. Considerable local and regional autonomy prevail in the administration and interpretation of collective agreements, in negotiations in many of the nonbasic jurisdictions and with smaller firms, and in such highly important substantive areas as wage differences, incentives, and work practices. The extent of the national authority in the steel workers' union can be reasonably explained by the specifications of the job set by the membership.

DISCUSSION

ALBERT A. BLUM

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A bank executive, trying to solve an industrial relations problem, became desperate and sought help from a labor historian. His difficulties had begun when his company installed a machine for sorting checks. On it he employed a number of girls who put in checks at one end and took the sorted ones out of the other end. Very few of the girls, however, would stay at the job for long. As a result he sought help first from a personnel administration specialist, who after reviewing the gimmicks he had learned in management development courses, recommended that the bank ought to use tests to measure the qualifications for such a job as well as the personality of those who were seeking it. In the meantime, he thought MUZAK might help. It did not—so our perplexed executive went to some industrial sociologists and psychologists who, when they consult, bear a different title—namely, human relations experts. Participation in decision making was the profound solution offered by the descendants from Hawthorne. So the girls sat down around a circular table, stared blankly at the consultant, and decided that what was needed was variety in work. One week a group (led no doubt by the informal leader picked out by the consultant) put checks in the machine; the next week, this same group took them out. Turnover, nonetheless, still continued and our executive, now nervous, talked to an economist. The economist, who long ago had replaced people with statistics and graphs, came to the conclusion, that in the long run, all things being equal, if the girls were given a wage increase every three months they would stay on. But in the short (or was it the long?) run, the girls still left. There appeared to be no one to whom our bank executive could turn for help. In utter desperation he told his problem to a professor with whom he was taking a night course in labor history. Remembering things past, the historian offered his solution—albeit an impossible one. He pointed out to his student that times were prosperous and that the girls could secure far more interesting jobs at fairly good pay. Why should they stay at those dull jobs unless forced to. There had been, however, periods in the past when people had desperately sought any jobs and desperately had clung to them. The answer, our historian consequently offered, was one that the

bank might be in an excellent position to provide—namely, to start a depression.

Our historian, of course, was right when he recognized that a dull job was a dull job and that the past offered only one solution for such dullness (except getting rid of the job) that a free society might provide, and that all the other answers were merely gimmicks pulled out of the large gift bags carried by the Santa Clauses of our field. It should be noted, however, that good historians do not claim an ability to give answers to industrial relations questions; they can only offer a warning when they declare with Santayana that "those who cannot remember the past are condemned to repeat it."

Yet in order to know what not to repeat, histories of labor developments have to be written. Professor Brooks rightly points out that much of labor history is distorted by labor relations practitioners because of the control they have over the sources. But what holds true for labor history holds true for nearly all current history. In order to secure access to materials, most historians of the recent past unfortunately have to pay a price in terms of external formal censorship by the sponsors or internal informal censorship by the authors. But this is not only true of historians. Anthropologists who want to study in Africa complain about restrictions being placed upon them by the emerging nationalistic groups who would like to deny their past; sociologists have come to terms with the groups they wish to study; and so on through the other social scientists. Is the answer no research or only research concerning events about which no living individual or active group has any personal vested interest? Or is the answer to move towards the study of more general topics like working class movements or to those that Professor Neufeld suggests concerning the relationships of the labor movement to the broad framework of American social, intellectual and cultural developments? But one reason Professor Neufeld can move into this vitally needed area is the large number of dry-as-dust monographs in the non-labor fields which have been waiting for such an expert hand as Professor Neufeld's to transform into brilliantly written history. But do we also suffer from a large number of good histories of unions, biographies of labor leaders, or studies of specific past developments in labor's past? I think not. In short, I fear far more the lack of labor history than an overemphasis on detailed studies, such as Professor Ulman's, no matter who the sponsors.

To make the shortage even more pronounced, we know that labor's archival materials are being lost irretrievably and not only because the McClellan committee knocked on the union's door. Similarly the recollections of older labor leaders, so vastly important in these days of the telephone when documents are made of air, are disappearing with the absence of any extensive program of oral history. And most unions do not particularly assist workers in their search for documents or insights. Through Professor Brooks wisely points to the reasons for this lack of cooperation, he does not analyze its shortsightedness.

When many of you went to college, you thought of the businessman as the robber baron. Brought up on the literature of the muck-rackers, on Matthew Josephson and Gustavas Myers, your sympathies were quickly aroused for the workers who suffered under those Lords of Creation who dominated our economic system. Compare this, fellow teachers, with the attitudes of your students today. Many of them believe that the robber barons of the 1960's are the labor leaders. If you asked your students who cynically had declared that "the public be damned," he would respond not by saying "Vanderbilt"; he would more easily pronounce Hoffa's name. One cause of this switch in attitude is the more recent business histories. Industrial executives actively sought to create a better image of themselves in part through the sponsorship of business histories and by supporting at least one university chair of business history.

Of course, some firms arranged to have pot-boilers written but these had as much effect as similar ones sponsored by labor unions. On the other hand, some of the more prominent companies sought out leading historians and arranged for them to write their firm's story or their founder's life. They did not first check into the prospective author's sympathies with their business, economic and social philosophies—just his competence as an historian—and then they gave him free access to materials. An example may do. One of the most famous of all American historians is Allan Nevins. His books about Rockefeller and Ford helped destroy the robber baron myth. His political views—a staunch supporter of Adlai Stevenson and John F. Kennedy—are not the kind that would make him the Chamber of Commerce and National Association of Manufacturer's ideal business historian. But Ford, Rockefeller and Weyerhaeuser Timber Company asked him to write lengthy studies and gave him complete access

to files and the final word on the published manuscript. The test for these firms was that Nevins was an honest scholar, an excellent writer, and a man with a respected reputation. They were not necessarily ashamed of the dirt that no doubt existed (the muckrackers had already made it public anyway); they knew that a good, fair historian would try to sift through it honestly. And they also knew if they gave him complete access to their files the weight of the documentation would indirectly influence the judgment of the writer in their direction.

The business robber baron has disappeared as the historian has placed him in the perspective of time—so too may the labor robber baron if good historians are given access to materials; if they can analyze the past in terms of the period in which the events took place, not in terms of today's needs and issues; if they do not wring the excitement out of the dramatic story of the development of the labor movement by the use of dreary prose; and perhaps most important, if they don't care whether their research will or will not destroy the labor baron myth or whether it will or will not contribute anything to an understanding of industrial relations. This is not the historian's responsibility. His job is solely to tell the story of the **past accurately and well**. This is indeed enough.

ABRAHAM J. SIEGEL

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Professor Neufeld's paper is a broadside barrage indeed. I could not help recalling, after I had read it, the story of the two parishioners at St. Patrick's Cathedral who emerged one morning on Fifth Avenue and proceeded to stroll along, busily re-engaged in secular conversation. After a moment, one tugged at the coat sleeve of the second and casually remarked: "Do you see, John, who that is up ahead walking arm in arm with the Cardinal? It's Bill Zeckendorf." The second man paused a moment, pondered and exclaimed in hushed anxiety: "Jesus, Mary and Joseph! There goes our cathedral!"

This may, however, really do an injustice to Professor Neufeld. Zeckendorf's targets for demolition are selective. Neufeld's scope is magnificently all encompassing. We have *all* been worshiping false idols and we are all hell-bent. Researchers and writers in every field

and subfield of labor and industrial relations, and of whatever disciplinary persuasion, have somehow missed latching on to the lifeline to salvation—the sense of history—and have adored gods that have failed us and must continue to do so. Labor historians (with the exception of two) join the economists, the sociologists, the lawyers, the human relationists, and so on in Part II of this anguished lament. The labor movement, with no independent imagination or ideas of its own, joins its would-be students in the descent into the maelstrom in Part III. Part IV falteringly tenders the saving “sense of history” to practitioners and pedants again, but the brevity of this appeal (a dozen lines of invocation) and its general tenor carry with them the implicit pessimism of anticipated rejection and inevitable doom.

It is very hard to cast off the palling overtones of so panoramic a panoply of gloom in just a few words. Within the space limitations provided the discussants, it would indeed be foolhardy to attempt any documented parry to so sweeping a thrust. But even with more time and more words at my disposal, I would be hardpressed to know how to proceed, given just what we have in these pages. What can a doctor say to a patient who enters his office and announces: “I feel terrible. Guess what hurts me?” For despite Professor Neufeld’s frequent applause for the virtue of clear and lucid exposition, his own diagnostic finger gives us no clear indication of what troubles him. We know only that he experiences great malaise.

What is this sense of history he finds lacking in our analytical diets? This is never clearly answered. If indeed we *have* all failed and are all doomed, but would earnestly strive for redirection, to grasp at Neufeld’s proffered redeeming reed is to seize at a wisp.

Somehow I cannot avoid the feeling that it is not so much the lack of a sense of history that Neufeld finds distressing, but rather that others may have chosen to frame their own work in alternative “senses” of history than that preferred by Neufeld. The interrogative hypotheses with which one may legitimately approach a study are many. There is no single sense or aspect of history. We are all aware, for example, of the need to supplement Beard’s “sense of history” with alternative analytical dimensions if we seek to understand the society about which Beard has written.

Critical appraisal of specific interpretive studies is always welcomed and useful. But the vast sweep of Professor Neufeld’s chastisement, if there is real substance to his charges, can only move us closer

toward the true, the good and the beautiful if it is parsed more elaborately. That critique which is given us in more manageable and more concrete form is most easily digested.

George Brooks' comments, too, reveal a serious concern about the nature and relevance of labor history at the present time. Essentially, Brooks suggests that the potential for writing good labor history is rapidly dwindling. First, he suggests, many who should be writing or could write such history are in fact committed participants in industrial relations practice and hence unfree to write. Others who do write are indirectly corrupted by the practitioner keepers of the financial keys to the research coffer. More than this, many potential artifacts for the historian have gone underground. All of this makes for no history or poor history.

I would agree with George Brooks that we have had in recent years too many "kept" histories and biographies. But once again I feel that Brooks overstates the problem. First, there are and have been good pieces of historical work which have been published in recent years and are under way at the moment. The recent work of men like Walter Galenson, Lloyd Ulman, Philip Taft, Irving Bernstein and Mark Perlman would document this assertion. Christie's historical researches are of first-rate quality, despite lack of co-operation from the participant parties about whom he has written.

Moreover, present participants are either future university people (witness George Brooks himself) or elder statesmen. The act of participation itself is no ultimate bar to access to historical facts.

Part VII

**THE BEHAVIOR OF WAGES IN
SPECIAL AND ADMINISTERED
LABOR MARKETS**

WORKER QUALITY AND WAGE DISPERSION: AN ANALYSIS OF A CLERICAL LABOR MARKET IN BOSTON*

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The ripest fruit first falls.

King Richard II

The weakest kind of fruit drops earliest to the ground.

The Merchant of Venice

Classical economic theory suggests that wages for similar work will tend toward equality after allowance is made for a number of factors. This paper deals with one of these, worker quality, and is based upon an empirical investigation of wages and certain personal characteristics of 230 stenographers employed by 20 Boston firms. It seeks to answer two questions. (a) How much of the inter- and intra-firm variation in wages for the same job can be explained by the concept of worker quality? (b) What attributes or characteristics of employees can be identified as giving rise to systematic variation in wages?

From the theoretical view, after accounting for different quantities and qualities of capital associated with labor in the productive process and for the net advantages or disadvantages of the industry, firm, or job, one should observe, in the words of Alfred Marshall, "a tendency to equality of efficiency earnings."¹ Empirically, it is not clear that this is true. For example, the predominant view of

*My primary indebtedness is to the personnel officers of 20 Boston firms who cooperated willingly in the survey and provided the data. In addition, Mr. Harry Angney, Vice President of the Boston Federal Reserve Bank, shared with me his insights regarding the jobs to survey and the type of questions to ask. Professors Charles A. Myers and Douglass V. Brown of M.I.T., and Ralph C. James of the University of California read an earlier draft and offered helpful suggestions.

¹ Alfred A. Marshall, *Principles of Economics*, 8th ed. (New York: Macmillan Co., 1920), p. 549.

the major labor market studies² is probably well summarized by Lester when he wrote:

Notable differences in quality of the work force were evident only for two or three firms at the top of the wage hierarchy and for two or three at the very bottom. In between those extremes there appeared to be little evident correlation between quality and relative wage position.³

Such a conclusion may, however, stem from the observers' beliefs about labor market imperfections, and on what role (if any) is played by worker quality, for little serious study has been devoted to the role and determinants of quality.

SOME METHODOLOGICAL CONSIDERATIONS

Part of the problem of assessing worker quality is to separate out those characteristics of employees which are part of the usual hiring standards of many firms, but which may have little relation to productive efficiency.⁴ To do this requires a definition of what is meant by worker quality.

Quality can be divided into three parts, (a) an ability to perform job-related functions, (b) the manner in which one performs these functions, and (c) attributes of character, like congeniality. The first is closely related to skill, job requirements, and standards. In other words, in dealing with a job that has broadly defined standards, for example, the teaching of economics, a consideration of quality and wages will be very similar to one for skill⁵ and wages. In this

² See: Richard A. Lester, *Hiring Practices and Labor Competition* (Princeton: Industrial Relations Section, 1954), pp. 74-75; Richard A. Lester, *Company Wage Policies* (Princeton: Industrial Relations Section, 1948), p. 33; George P. Shultz, Irwin L. Herrnstadt and Elbridge S. Puckett, "Wage Determination in a Non-Union Labor Market," *Proceedings of the Tenth Annual Meeting of the Industrial Relations Research Association*, 1957, p. 204; Lloyd G. Reynolds, *The Structure of Labor Markets* (New York: Harper and Brothers, 1951), pp. 227, 306; Richard C. Wilcock and Irvin Sobel, *Small City Job Markets* (Urbana: University of Illinois Institute of Labor and Industrial Relations, 1958), pp. 40-43; Charles A. Myers and W. Rupert Maclaurin, *The Movement of Factory Workers* (New York: The Technology Press and John Wiley and Sons, Inc., 1943), pp. 21, 44, 63.

³ Lester, *Hiring Practices and Labor Competition*, *op. cit.*, p. 74.

⁴ See Reynolds, *op. cit.*, p. 227; and Melvin W. Reder, "Theory of Occupational Wage Differentials," *American Economic Review*, Vol. XLV (December 1955), pp. 834-837.

⁵ Here skill refers to the totality of abilities and not, as so often, to a level of training, certification, or experience.

sense, quality refers to differential skills among those performing given jobs. The second concerns the full utilization of skill; for instance, an individual may be a whiz at work, but only present three or four days a week. The third refers to those personality characteristics which make a worker more desirable as an employee or which may reduce employment costs.⁶

A study of quality can be approached using concepts of demand or supply curves. Using demand, one would be interested in physical output (Marginal Physical Productivity) and thus would ask questions about the relationship between output and income. If such a relationship were observed (it obviously exists on an intra-firm basis under individual incentive rates, though it may not exist for a similar inter-firm comparison), one would then probably wish to ask about the personal characteristics and skills of those with high and low output.⁷ This would be approaching the problem in the same way as would one who started from the supply side. In other words, an attempt would be made to find systematic relationships between elements of quality and compensation.

Elements of quality can be determined by objective tests and standards or by subjective tests. To the researcher, the former offers the advantages of reasonable uniformity and little ambiguity, but suffers from being inapplicable to certain characteristics. Of the three elements of quality, objective measures are probably most appropriate for job-related skills, though determination of the appropriate tests may be difficult. In the second group, objective measures of absence and tardiness provide some information, but certainly fall short of encompassing all the aspects of that class. For the third group, objective tests, almost by definition, cannot be used.

⁶ The reason for conceptually separating aspects which make one desirable as an employee from those which reduce costs is to allow for the possibility that certain characteristics are valued because they contribute to the non-pecuniary income of the managers or owners, rather than because they lead directly to lower production costs. Consider congeniality. It may or may not lead to a more efficient work place, but it probably does reduce the tensions of supervision, thus enhancing the non-pecuniary aspects of the manager's job.

⁷ For analyses in terms of human relations variables, see: William F. Whyte, *Money and Motivation* (New York: Harper and Brothers, 1955); and A. Zaleznik, C. R. Christensen, and F. J. Roethlisberger, *The Motivation, Productivity, and Satisfaction of Workers. A Prediction Study* (Boston: Division of Research, Harvard University Graduate School of Business Administration, 1958), pp. 220-255, 322-354.

THE BOSTON SAMPLE

The empirical study was designed to investigate the degree to which differences in quality of workers might be used to explain dispersion of wages between and within firms for individuals performing fairly narrowly defined jobs. The jobs selected for study were general stenographers and key punch operators.⁸ They were chosen because it was thought they probably contained enough skill to generate some quality differences, but not enough individual judgment, as would most managerial positions, to rule out the usefulness of mechanical tests as indicators of quality. In addition, most of the firms in the universe from which the sample was drawn employed women in these positions.

The sample is from a highly structured universe of 33 firms which cooperate in semi-annual wage and salary surveys in the Boston area. The choice was primarily to facilitate investigation. Since I wished to minimize differences in job duties within the sample, it was necessary to utilize only firms⁹ which had, as did these, standardized and narrowly defined jobs.

A comparison of the sample with data obtained by the Bureau of Labor Statistics for the Boston Labor Market shows that in October 1959 the BLS average wage for general stenographers in Boston was \$67.00 a week¹⁰ and in October of 1960 it was \$70.00,¹¹ as compared to \$74.21 for the March 1960 average in this sample. This implies that the sample's firms pay above the Boston average, a conclusion which is reenforced if one looks at median weekly wages.

In terms of industrial distribution the sample contains a larger percentage of manufacturing and finance employees than does the one the BLS uses. This is probably immaterial, for BLS industry average wages and the industrial distribution of this sample produce a weekly wage of \$66.18 which is approximately equal to the BLS average of \$67.00.

⁸ It turned out that most of the large employers of key punch operators paid differential wages based only on length of service, and consequently the job was dropped from the analysis.

⁹ Of the 33 firms approached, 4 did not have employees in the job title "stenographer," 2 declined to participate, and 7 did not reply or did not supply information. At least 3 of the firms which did not respond have cooperated with the Industrial Relations Section in other studies.

¹⁰ United States Department of Labor, Bureau of Labor Statistics, *Occupational Wage Survey, Boston, October 1959*, Bull. 1265-8.

¹¹ United States Department of Labor, Bureau of Labor Statistics, *Occupational Wage Survey, Boston, October 1960*, Bull. 1285-15.

Wages for stenographers are commonly reported on a weekly basis, but the analysis will be in terms of hourly wages, where the annual, monthly, or weekly wage as reported by the firms has been converted to an hourly rate based upon the reported hours per payroll period. The justification for using hourly rates is empirical and follows from theoretical considerations.

In a study of the wage-quality relationship it is desirable to eliminate all other compensating differentials. Thus, the measure of earnings which should be used is the one with the least dispersion. In this case it is the hourly wage rate.¹² (See table I.)

The 20 responding firms employed 230 stenographers with the number per firm varying between 2 and 38. One half of the companies employed 8 or more. A comparison of the average wage of these 10 companies to that of the average for the other 10 firms reveals a difference of \$.12 an hour (2.045 to \$1.925). This suggests a size, defined in terms of number of employees in the particular job, variation of wages which is strengthened by further comparisons. A ranking of the firms by average wages shows that all of the upper quartile firms employ eight or more, while none of the lower quartile firms do. Indeed, the relation is systematic enough that there is a rank order correlation significant at the 5 per cent level between employment and average hourly wages.

Turning to possible measures of quality, the first one examined was years of experience, both in the particular job with the firm and in all jobs with the firm. For the sample as a whole the rank order correlations are $r = .746$ for company average hourly earnings and median years of company job service and $r = .706$ for earnings and years of company service. Both of these are significant at the 1 per cent level. Within the sub-sample of ten high employment

¹² Ideally one should have included employee benefits. Lacking a common unit of measure, this could not be done. The various benefit programs were examined and employer practices for this job appeared quite uniform.

TABLE I
Dispersion of Company Average Wage Rates

			<i>20 firms</i>	<i>10 firms</i>
Weekly rates	75th - 25th	percentiles.....	.145	.182
	50th			
Hourly rates	75th - 25th	percentiles.....	.101	.085
	50th			

firms, there is a similar relationship between hourly wages and years of company service ($r = .776$), but the correlation for job service with the company ($r = .385$) is not significant at the 5 per cent level. A simple least squares regression was also computed between company average wages and company median months of service for the sub-sample of high employment firms. The R^2 is .504 and the estimate of the slope of the line relating wages and services is \$.0029 per hour per month of service. The standard error of the estimate (b) is \$.00103 which is significantly different from zero at the 5 per cent level.

Looking at the rank order relations between wages and service within those firms with eight or more stenographers, one again observes strong relationships (table II).¹³

Because average wages appear to rise with the number employed, most of the remainder of the analysis will be concerned only with the sub-sample of 10 firms employing 8 or more.¹⁴

¹³ Two of the firms are not included; one paid only a single rate and the other had salary steps based solely on seniority.

¹⁴ The tie between the number employed in a position and average wages is consistent with the "Key Job" hypothesis of internal wage setting. It suggests that job requirements may also vary with the relative importance of a job or with the size of a firm. Since I am interested in narrowly defined jobs, it makes sense to exclude the smaller employers. This may, however, be a baby and bath water situation and by too narrowly defining the job, the ability to detect systematic quality differences may be lost.

TABLE II
Wage-Service Rank Order Correlations
(Firms Employing Eight or More)

<i>Firm</i>	<i>Number in Job</i>	<i>Average Wage</i>	<i>Company Job Service and Wages</i>	<i>Company Service and Wages</i>	<i>Incremental Wages with Service</i>
A	38	\$1.90	.666	.640	None mentioned
B	31	2.05	.718	.713	See 1 below
C	21	1.89	.644	.560	None
D	18	1.96	.690	.550*	None
E	11	2.13	.764	.714*	None mentioned
F	18	1.96	.768	.770	None
G	10	2.06	.260+	.925	None mentioned
H	8	2.02	.493+	.400+	None mentioned

All significant at 1 per cent level except:

* Significant at the 5 per cent level, but not at the 1 per cent level.

+Not significant at the 5 per cent level.

(1) Range \$289-\$379 a month. Those hired at \$289 [unlikely] would get \$10 after 13 weeks, \$12 at the end of 26 weeks, and then all increases on the basis of merit.

The next variable investigated was additional education as it is commonly associated with quality. Here the results are, at best, humorous. For the sub-sample a rank correlation between average wages and percentage employed with only a high school education was negative but not significant. A similar relationship between wages and average years of education above twelve was not only negative but significant at the 5 per cent level ($r = -.592$).

The employment testing programs by the participating firms were not large enough or uniform enough to allow meaningful statements concerning differences between firms. Consequently the analysis of test results is confined to intra-company wage differences. The wage-service relation was sufficiently strong that it was necessary to adjust for it. This was done by using the simple hypothesis that company service was the sole explanation for intra-firm wage differences. Thus the girl with the fifth longest service should receive the fifth highest wage. The hypothesis is wrong, but it does allow the stenographers to be divided into three groups: those whose wage and service ranks are consistent with the hypothesis, those whose wage rank is too high, and those whose wage rank is too low for their service rank. Other possible indicators of quality were then looked at in the hope that these will discriminate between those whose wages are too high and those whose wages are too low.¹⁵ The results are summarized in table III.¹⁶

The most extensive testing program was for key punch operators in company G. These results are presented in table IV.

Tables III and IV do not lend themselves to simple generalizations. Probably the clearest is that none of the indicators appear strongly related to differential wages. A possible exception is stenographic experience outside the firm, a finding quite consistent with the earlier finding of a high value attached to job and company experience. Table IV and the data for firms C and D in table III suggest that the average usefulness of these tests to the firms may be improved by judicious selection.

¹⁵ Implicit is an assumption that an equilibrium has been observed. Yet, in a world of periodic salary review, this is probably not true. In one company, which supplied job histories carried beyond the sample cut-off date, the rank order correlations between wages and service are higher in April than in March.

¹⁶ Table III does not contain any data on absence or tardiness, for these do not appear to have any pattern relative to wages. Even in the few cases of numerical excessiveness associated with lower than expected wages, there is usually a similar employee whose wage position seems to have been unaffected.

TABLE III
Possible Indicators of Quality and Their Relation to Wages

Type of Indicator	Firm	Number of Employees in Group A ¹	Number of Employees in Group B ¹	Average of A ²	Average of B ²
Outside job experience.....	A	15	21	9 ³	10 ³
Extra (+12 years) education	A	15	21	9 ³	11 ³
Outside job experience and extra education (max. wage).....	B	7	....	6 ³	
Outside job experience (not max. wage).....	B	7	11	4 ³	4 ³
Psy. Corp V-1 ⁴	C	8	6	8.6	12.5
Steno. prof. test.....	C	6	3	93 ⁴	<93 ⁴
Extra education.....	C	7	7	1.6 ⁵	1.6 ⁵
Typing test.....	D	5	5	4.7	6.3
Wonderlic ⁷	D	4	6	7.0	4.5
Shorthand test.....	D	3	6	6.0	4.5
Extra education.....	E	4	3	1 ³	-1 ³
Outside job experience.....	E	4	3	0 ³	1 ³
Extra education.....	F	9	7	3 ³	3 ³
Outside job experience.....	F	9	7	4 ³	1 ³
Wonderlic	F	6	4	7.0	4.9
Number perception ⁸	F	6	4	5.75	6.25
Extra education.....	G	3	4	1 ³	2 ³
Outside job experience.....	G	3	4	1 ³	1 ³
Extra education.....	H	4	3	2 ³	1 ³
Outside job experience.....	H	4	3	2 ³	1 ³

¹ Group A consists of those employees whose wage rank is higher than their service rank and Group B includes those whose wage rank is lower than their service rank.

² These are rank scores except as noted.

³ Number in the group having this characteristic.

⁴ Percentile scores.

⁵ Average number of years.

⁶ This is a five-minute test of vocabulary. Its probable value is in measuring the ability to comprehend verbal or written instructions.

⁷ This is a short test of mental ability.

⁸ This is a four-minute test of number comparisons similar to comparing two adding machine tapes which do not agree.

⁹ One girl had less than 12 years of education.

The only variable in the study which appears to be significantly related to employee compensation is length of service. Whether it is a quality measure is debatable. It depends in part upon whether an employee has 20 years of service or a year of service 20 times. In most jobs, at least for the early years, increasing efficiency and

TABLE IV
Tests as Quality Indicators¹

Test	Average of Rank Order Scores	
	Group A (12 girls)	Group B (10 girls)
Number Series ²	11.9	11.0
Number Perception ³	11.9	11.2
Name Finding ⁴	12.0	11.0
Sum of Three Tests.....	11.6	14.4

¹ The definitions of Groups A and B are the same as those in table III.

² This is a test of numerical reasoning as determined by correctly continuing numerical progressions.

³ Same as in table III, see footnote 8.

⁴ This is a measure of name comparison of the type which is important in bookkeeping work.

years of experience are probably related. For clerical jobs it is doubtful that the period of increasing physical efficiency is very long.¹⁷

The effect of the possible quality variable, length of service, on wage dispersion was investigated by adjusting each company's average wage to what it would have been if the median months of service had been the same for all companies. The estimate of the relationship between wages and company service from the regression equation was used as the value of a month of service.¹⁸ The results are shown in table V.

The seeming inability of quality measures to reduce inter-firm dispersion may only mean that I have been unable to successfully

¹⁷ United States Department of Labor, Bureau of Labor Statistics, *Comparative Job Performance by Age*, Bull. 1273, p. 19.

¹⁸ In other words, the slope of the regression line suggests that on the average an increase of one month in a firm's median months of company service for stenographers will be associated with an increase in that firm's average wage for stenographers of \$.0029 per hour.

TABLE V
Measures of Dispersion of Company Average Hourly Wages

Percentiles	Sample of 20 Firms	Sample of 20 Firms Corrected for Years of Service
100-0	1.62-2.55	1.68-2.30
90-10/50	.22	.17
75-25/50	.101	.114
60-40/50	.00036	.00015

measure the appropriate quality differences. Relative to this, it is interesting to note that in 10 of the 20 firms, at least one girl received within \$.02 of the median of individual hourly wages and 16 firms had at least one within \$.10 of this median. For the sub-sample, 8 of the 10 firms had one or more employees within \$.02 of the median of individual rates. This suggests that intra-firm dispersion may be more important than inter-firm dispersion. This conclusion is supported by the fact that the dispersion (75-25/50) of individual hourly wages is much greater than the dispersion of company hourly wages weighted by employment¹⁹ (table VI).

TABLE VI
Dispersion of Individual and Weighted Firm Average Wages¹

	<i>All Firms</i>	<i>Firms Employing Eight or More</i>	<i>Manufacturing Firms</i>	<i>Financial Firms</i>
Individual Rates....	.120	.115	.093	.144
Firm Average Rates....	.077	.082	.049	.037
(Weighted by employment)				

¹ The numbers of employees are 230, 188, 119 and 95; and of firms 20, 10, 12 and 6.

CONCLUSIONS

This study sought to determine how much of wage dispersion for similar jobs could be explained by differences in worker quality and what are the characteristics of quality which give rise to systematic wage variation. It involved an investigation of possible relationships between personal characteristics, test scores, and wages for a sample of Boston stenographers. The strongest observed relationship was between length of job or company service and differential wages. Test scores and additional education present a mixed picture, perhaps on balance supporting an inference that quality is related to wages, but being insignificant as predictors of differential wages.

These results may be interpreted in several ways. The classicist would probably say that the objective measures used did not completely measure the *relevant* quality differences, while an institutionalist would probably stress the inefficiency of a labor market in allocating superior employees to high wage firms. This study, un-

¹⁹ Harry M. Douty, "Sources of Occupational Wage and Salary Rate Dispersion Within Labor Markets," *Industrial and Labor Relations Review*, Vol. XV (October 1961), pp. 67-74.

fortunately, does not provide enough information to allow one to choose as definitively as would be desirable between the alternatives. The facts that wage dispersion between firms is but a small part of total dispersion and that the majority of firms have at least one employee within a few cents of the median wage are perhaps suggestive that firms do pay essentially equal efficiency earnings and that, in the main, observed differences in individual rates reflect quality differences. Thus I would conclude that worker quality, appropriately defined and measured, is an important determinant in explaining observed wage dispersion.

SOME IMPLICATIONS FOR LABOR ECONOMISTS

In addition to previous conclusions concerning the role of worker quality in wage dispersion, other implications for the analysis of wages can be drawn from the study.

Skill Differentials. Were the jobs surveyed, stenographer and key punch operator, to be considered representative of different skill categories, the conclusion would be that the skill differential (median hourly wage rates) was $7\frac{1}{2}$ per cent. This would not represent an increment to the pure skill of the stenographer. In part it would represent a difference in the quality of the employees in terms of years of company service. This can be seen by plotting the ratio of average wages for stenographers and key punch operators against the ratio of their average months of company service.²⁰ The graph suggests: 1) that where service is the same the skill differential is 10 per cent, 2) that up to a service ratio of two the skill ratio and the service ratio move proportionately, and 3) that the skill differential changes little at all for service ratios above two. If on the average, the quality characteristics of classes of employees are stable, it matters little, except for conceptual neatness, whether or not the impact of quality on skill differentials is taken into account. Where, however, measured skill differentials are changing and qualities are probably not stable, as in short-run periods of excess demand for labor, a failure to properly account for quality can be serious. In this case it will mean an inability to determine whether declining skill differentials result from measuring different things or a true decline in the reward to skill.

Industry Differentials. Analysis of the sample produces the not

²⁰ This is based on fifteen firms which have at least five employees in each job.

surprising results that wages in manufacturing firms are higher than those in financial firms. This may result from differences in net advantage, improperly functioning labor markets, or unequal quality of employees. Here the role of quality, in the guise of years of company service, plays a part. The wage difference is \$.165 (\$2.045-\$1.88) for the median employees and the years of company service difference is 19 months, again at the median. If the relation between wages and service, obtained for the sub-sample, holds for the whole (the estimate of *b* from the regression equation), 30 per cent of it or \$.055 can be explained by the characteristics of those employed. From this follow reservations and warnings similar to those for skill differentials.

Intra-Urban Location Differentials. Little is known about the pattern of wage rates within metropolitan areas. Perhaps the simplest hypothesis to apply to these relatively young females (median age of the stenographers is 26 years) is, what I term, the "Jordan Marsh" hypothesis. It states that the greater the distance a firm is located from Jordan's (New England's largest department store), the higher will be its average wage (table VII).

TABLE VII
Location of Firms and Average Wage Rates

<i>Zone</i>	<i>Distance</i> ¹	<i>Number of Firms</i>	<i>Average Wage</i>
A	.35 mi.	6	\$1.93 ² (1.81)
B	1.00 mi.	3	1.94
C	5.00 mi.	2	1.76
D	10.00 mi.	7	1.98
E	15.00 mi.	2	1.95

¹Distance is the maximum extent of the zone.

² Average except for the sample black sheep, the highest wage firm whose wage is \$.42 higher than the number two firm. This is 80 per cent of the range between the number two company and the lowest wage company.

Table VII provides some support for the hypothesis. Before concluding too much, though, note should be made of the identification problem, for the typical firm in zone A is a financial one, while the typical firm in zone D is in manufacturing. An additional insight into the role of quality may be gained by looking at the averages for zone A and D firms that were included in the sub-sample (those with eight or more stenographers). Here the range is \$.15 (\$2.07-\$1.92),

but adjusting for differences in years of service reduces it to \$.01 (\$.01-\$.00). Here too, it appears that characteristics of quality should be included for a more complete understanding of the phenomenon.

SOME IMPLICATIONS FOR MANAGEMENT

Most managements, as were the classical economists, are probably convinced that a strong relationship exists between relative wage levels within a market and the quality of employees.²¹ This paper should reenforce their beliefs, but at the same time it may pointedly indicate that some conceptions and policies need to be reevaluated.

Though I concluded, on the record as a whole, that my results are consistent with the classical hypothesis concerning the operation of labor markets, one of the strongest empirical findings is the inability of the commonly available objectives measures of quality to differentiate between the quality of employees as measured by wage rank. Thus, managers might wish to ask how they know that their employees are of the quality they believe consistent with the firm's wage level.

Most of the companies in the study use rate ranges with an employee's position within the bracket dependent upon merit and ability. Tables V and VI suggest that in many cases merit probably has, by default, become length of service. Nor is this an isolated example. The authors of *The Impact of Collective Bargaining on Management*²² report that this seems to be a fairly common phenomenon. Without attempting to evaluate the conflicting claims in favor of merit and seniority systems, it would seem clear that firms which say merit and use seniority are in the worst of all possible worlds, probably obtaining few of the advantages of either system and most of the disadvantages of both. Management might, therefore, desire to adjust practice to policy, and perhaps gain some improvement by a formal mixing of the two approaches.

For good or for evil, ours is an era of testing, and while pre-hire tests are not new, it is probable that an increasing reliance is being placed upon them. Yet, the data contained in tables V and VI are

²¹ Shultz, Herrnstadt, and Puckett, *op. cit.*, p. 204.

²² Sumner H. Slichter, James J. Healy and E. Robert Livernash, *The Impact of Collective Bargaining on Management* (Washington: The Brookings Institution, 1960), pp. 604-606.

not very favorable to this extended use.²³ It is perhaps asking too much of the tests, generally administered prior to employment, to correlate with subsequent success.²⁴ It may be that tests can choose employees from the universe of applicants²⁵ and at the same time have little predictive power for the employee's future. This would seem to imply that the selected applicants had near perfect scores or that the ability being tested has a pass or fail character like color blindness. The former is possible, but unlikely, and the latter is scarcely characteristic of most job requirements. Consequently, it would seem that firms should examine their tests and job criteria to see whether other tests or evaluation procedures might not be more suitable.²⁶ The problem may not lie with the tests, but with promotion and salary policies. If this is true, only the nature and not the desirability of action is changed.

²³ For a quick review of recent work in this area, including references, see: George W. England and Donald G. Paterson, "Selection and Placement—The Past Ten Years," in Herbert G. Heneman, Jr. et al. (eds.), *Employment Relations Research* (New York: Harper and Brothers for the Industrial Relations Research Association, 1960), For stenographers in particular, see: W. R. G. Bender and H. E. Loveless, "Validation Studies Involving Successive Classes of Trainee Stenographers," *Personnel Psychology*, Vol. XI (Winter 1958), pp. 491–508.

²⁴ Two interesting studies relating to this are: Bryan Wilkinson, "Validity of Short Employment Tests," *Personnel Psychology*, Vol. VI (Winter 1953), pp. 419–426; and Thomas H. Wallace, "Pre employment Tests and Post employment Performance," *Journal of Business*, Vol. XXVIII (January 1958), pp. 72–75.

²⁵ On this, see: Clarence W. Brown and Edwin E. Ghiselli, "Per Cent Increases in Proficiency Resulting from the Use of Selective Devices," *Journal of Applied Psychology*, Vol. XXXVII (No. 5), pp. 341–344.

²⁶ From a different area, see the excellent article: John B. Carroll, "Research in Education: Where Do We Stand," *Harvard Graduate School of Education Association Bulletin*, Vol. V (Winter 1960), pp. 3–7.

INDUSTRY AND NATIONAL WAGE LEVELS UNDER BIG UNIONISM*

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A widely held view among contemporary economists is that unions exert little independent influence on broad national wage movements, let alone on the relationship between the general wage and price level or on relative shares in the real national product. The economic impact of unionism is said to be limited almost wholly to local markets or to rather narrow sub-sectors of the economy. This view is well known, so I shall not elaborate on it here.¹

My thesis is that scholarly opinion on this vital issue is quite wrong and should be rather drastically revised. I have reached this conclusion largely on the basis of a review of developments since World War II. In such a brief paper as this it would not be possible to examine these developments in any detail. All that I shall attempt is to present a general hypothesis about the role of unionism in the wage-price determination process and then, very briefly, examine this hypothesis analytically and empirically.

I

In their role as economic institutions, unions can be thought of as performing two principal functions. First, they try to cut in on whatever special economic opportunities already exist, or can be created, in the environment in which the unions happen to operate. Second, they endeavor to extend these special opportunity gains to workers in other firms which sometimes are subject to the same economic conditions but often are not. The hypothesis I propose to examine is that, absent unions, employers in the first category would not generally share special opportunity gains with their employees and that employers in the second category would not generally

* This paper was prepared during the tenure of a research professorship at the Brookings Institution. The conclusions are the author's and are not necessarily supported by the Brookings Institution.

¹ For a good review of the literature, see Ch. 4 by George Hildebrand in the IRRA volume, *A Decade of Industrial Relations Research, 1946-56*, Neil W. Chamberlain et al, editors (New York: Harper, 1958).

be subject to effective pressure to match these improvements in working conditions. Unions, of course, encounter various degrees and kinds of resistance from employers in carrying out these two functions, but the capacity and willingness of employers to resist sustained, well-organized union pressure is often quite limited. The firms within a given industry which enjoy above-average profit prospects may have the resources but may also lack the economic motivation to withstand such pressures, while the firms with below-average profit prospects may have the economic motivation but may also lack the necessary resources to resist. In a non-union world the pressures on employers to share gains with their employees tend to be sporadic and ineffective, but in a union world these pressures tend to become pervasive and overriding. Such is my hypothesis; I turn now to some observations by way of explanation, assessment and commentary.

II

Some of the special opportunities which unions can cut in on are suggested by static economic theory: high inelasticity of demand for labor's product, low rate of substitution between different types of labor or between labor and other factors of production, small percentage of labor to total costs and the like. Of these circumstances, doubtless the most important is product market oligopoly. Behind these static relationships, so to speak, lie a wide variety of dynamic influences which particular unions can exploit to their members' advantage: major shifts in consumer preferences, substantial improvements in methods of production, more effective selling and managerial policies, and more highly developed public facilities and community services.

Typically, the larger and more profitable firms are advantageously situated with respect to these opportunities, so within each union's jurisdiction these firms are the prime targets for union attack—General Motors in automobiles, U.S. Steel in steel, "captive" coal mines in bituminous coal, etc. Any gains, however, which unions may win from companies with relatively high wage-paying capacity will be short-lived if they can not be extended to major rivals.

The special bargaining opportunities which unions confront are extremely diverse, they are likely to be difficult to identify or measure with any degree of accuracy, and even well-established unions must surmount a number of barriers before they can be exploited. Barring

the threat of unionization or other special circumstances, managements are not ready to hand out rich prizes to their employees without pressure "from the ranks." Contrary to competitive models of the economy, the way in which special gains suggested by static and dynamic analysis are distributed among various claimants is not foreordained in our society, and unions are one of the principal devices for altering the manner in which such gains are distributed. There is no precise way of determining which groups ultimately bear the costs of union-won gains, any more than the burden of many taxes can be accurately assessed. It is highly doubtful, for example, that such gains have generally come at the expense of gross profits. This, however, is hardly grounds for concluding that the policies pursued by unions have no redistributive effects.

The unions to which I refer are very large organizations with broad, firmly established jurisdictions, since small unions with limited or insecure representation rights can not participate effectively in the kind of special economic opportunities which are controlled by oligopolists or are associated with major industrial changes. It follows that the economic impact of unionism should be looked for among the largest and most powerful unions and through them on the economy as a whole. Studies of this issue which deal either with unions of all sizes and descriptions or with individual unions and industries, are likely to yield meager findings if not actually misleading results.

Prior to the thirties, there were comparatively few unions large enough in size operating in industries rich enough in opportunities to exert any such broad economic influence. Some of the organizations falling in this category before or after World War II have been unions in automobile manufacturing, building construction, coal mining, railroad, steel and trucking. No one of these unions, by itself, has probably had a significant impact on the economy, but the combined effect of all six has apparently been considerable.²

A closer look at the industries in which the country's largest unions have operated suggest four type situations which can be distinguished. First are the highly concentrated industries such as auto-

²This helps explain the rather surprising conclusion of the Livernash report that "the wage and price effects of steel settlements, and industry decisions with respect to price policy, when realistically interpreted, have had a minimal independent effect upon the price level in the economy," U.S. Department of Labor, *Collective Bargaining in the Basic Steel Industry* (1961), p. 15.

mobile manufacturing in which almost all output is accounted for by a few large firms. In these industries neither the unions nor the employers need fear that settlements will be undercut by smaller companies so the unions can center their entire attention on trying to exploit whatever special opportunities the dominant firms may control. Because of their specially advantageous position such firms can be made to yield unusually large gains if the unions can build a solid front among their employees, but lacking effective union representation or unusually tight labor markets, there is no institutional or market pressures which can be counted on to produce these results. Even after the advent of effective unionism, profits are apt to remain relatively favorable because employers in these industries enjoy unusual advantages—rapidly expanding product demand, substantial technological gains, effective tariff or patent protection or the like—which in contrast to highly competitive fields need be shared only in part with rivals and customers. Employment may be well maintained or even increased despite spectacular increases in employment costs per hour under these circumstances, so the position of both employers and workers continuing to hold jobs remains an enviable one.

Second are the semi-concentrated industries such as meat packing in which some firms control certain special economic opportunities but in which the central firms also face a large number of competitive rivals. The latter pose a continuous threat to the former and to the unions because of the difficulty of holding them to the same employment standards as are maintained by the major firms and because of the danger of undercutting if lower standards are permitted. Under these circumstances the unions will go to considerable lengths to keep the outlying companies in line which in turn will increase the pressure on these companies to increase their efficiency, merge with other firms or give up altogether. Except under unusually favorable conditions, it is obvious that unions in these fields will not be able to score as large gains as those in the first group.

Third are unconcentrated but somewhat stratified industries like bituminous coal in which a few large firms control some important special opportunities but output for the most part is divided among hundreds of small producers and only a relatively few can hope to share in the opportunities open to the largest and strongest firms. Their only chance for survival is to operate at wage and employment standards below those prevailing in many other industries. The larger

and more efficient producers, through mechanization and other advantages of scale, can probably match these standards, indeed improve upon them, and still return adequate profits. Thus, unions in these industries face the choice of somewhat more employment at "sub-standard" wages or somewhat less employment at much higher wages. Since the employment expansion effects of low wages is highly uncertain, it is not surprising that unions in such situations have generally adopted the latter policy.

Fourth and last are unconcentrated and unstratified industries like apparel in which few if any firms command special opportunities, output is divided among many small producers and no assured sources of unusual gain on a continuing basis are present either for individual producers or for the industry as a whole. Other than in periods of exceptional prosperity, improvements in employment standards can not exceed amounts made possible by general trends affecting output and income levels in the rest of the economy. The role of the unions in such industries becomes one of trying to keep the bulk of the workers organized and maintaining employment standards not too far below those won by more advantageously situated unions. But without unionism, job conditions in these industries would be subject to the full force of unbridled competition with wages and benefits alternating between periods of rapid rise and fall. Thus, the role of unions in these industries becomes the all-important one of keeping the sweep of competitive market forces under some measure of control.

Which of these four cases is most typical of American industry is a question of fact to which there is no ready answer, although I suspect most unionized industries are closer to the middle two cases (semi-concentrated and unconcentrated but somewhat stratified) than to either of the two extremes. Whatever a factual investigation would show, it seems clear that large unions exert important "offensive" and/or "defensive" influences in industries which they have effectively organized. It might be added that an investigation along these lines is long over due.³

III

Stated in terms of individual industries the hypothesis I am considering may not appear too controversial. When broadened to

³For a systematic review of the impact of unions on different industries, see Lloyd G. Reynolds and Cynthia H. Taft, *The Evolution of Wage Structure* (New Haven: Yale University Press, 1956); their study touches only briefly on union pressures on comparative industry employment standards, however.

interindustry relationships and the economy as a whole, however, it raises more troublesome questions. In its broadened form the hypothesis starts from the fact that there are some six or seven massive unions or union groups centered in the country's key sectors: heavy manufacturing, heavy construction, coal mining and transportation. In the manner described earlier, these unions are generally able to win sizable gains from one or two of the most highly profitable firms or business sectors in their respective jurisdictions and each is then able to bring most of the competing firms in its particular field up to the same level.⁴ Rivalries among the leaders of the biggest union groups are only part of the explanation for this outcome. Workers are not going to stand idly by if standards for comparable skills in other industries are raised much above their own. Wage comparisons can have a levelling-up effect even though the interjob or interindustry movement of labor remains minimal. If all the employers in any one of these key industries were so hard pressed they could not approach the standards achieved in richer and more favored industries, the outcome would probably be quite different, but such is not usually the case. The more favorably situated companies, whether they be in coal mining, construction or trucking, may well be able to match such standards and still earn above-average profits. While settlements on this basis can be costly to these firms, prolonged strikes would likely be much more so. This gives the major unions in these key industries tremendous leverage even in fields that are highly competitive and/or generally depressed, a fact which goes a long way towards explaining why wages and benefits in relatively static industries keep mounting quite rapidly.

The result for the economy as a whole is a broad, rapidly rising wage-and-benefits plateau which cuts across a diverse but extremely important group of industries. Standards in more weakly organized industries, in industries which are striving to head off unionization, in industries which are subject to uncontrollable economic pressures or which face other special circumstances, spread out above and below this rapidly rising plateau. Interindustry variations in wage-benefit levels, of course, still occur but they nonetheless relate to the norm set by the central bargaining settlements and are considerably influenced by it.

⁴For present purposes, the major unions in the heavy construction and railroad industries are treated as two bargaining groups.

The extent to which a small handful of very large unions determines the national wage-benefit level through their influence in key industries is greatly reduced in periods of tight labor markets, sharply rising prices and rapidly mounting profits, since in these periods inflationary pressures tend to dominate all aspects of the economy. On the other hand, their impact on *relative* wage-benefit levels among individual industries is almost certainly greatest in periods of severe and prolonged declines in business, even though their effect on the national wage-benefit level is apt to be swamped at such times by deflationary forces. Their effect in milder expansions and contractions, such as the country has experienced since 1953, is likely to be different from both full-employment booms or severe depressions, with the large, key unions giving more of an upward push to the national wage-benefit level on their own than in periods of very tight labor markets, and exerting less of an independent effect on comparative wage-benefit levels than in severe business declines. In such intermediate periods of mild expansion and decline, the large union organizations can count on some of the major firms in their industries developing unusual economic opportunities and earning good profits. As long as these firms are assured that any concessions they make will be extended to competitors, their resistance to union pressure is not likely to be too great. Effective counter pressure is not apt to be exerted until higher cost firms are driven to seek relief, but their influence can hardly be decisive except under extremely depressed conditions.

Bargaining under these circumstances, therefore, may be little affected by rising unemployment in the particular fields involved. Neither unemployed union members nor displaced employers have any direct way of influencing settlements in key industries. The spread of unemployment, let alone the failure of employment to expand, is usually the product of many factors, so responsibility for it can hardly be laid at the door of excessive wage increases. The most immediate and compelling pressures on the leaders of the major unions is to match or better the contract gains of other top union groups. While the spokesmen for the larger and more successful firms are under considerable pressure to reach the best settlements possible, they are under hardly less pressure to keep production going. The vague and distant possibility that bargaining under such circumstances may lead to uneconomic price increases, unemployment

or other difficulties is not likely to have much effect. The more advantageously situated firms will probably be able to make satisfactory profits anyway even though the settlements seem unduly generous. Thus a policy of granting substantial increases in wages and benefits becomes the path of least resistance for all parties immediately concerned.

IV

The foregoing suggests a number of ways in which the hypothesis I have outlined can be tested empirically. The following questions of fact need to be answered: (1) Have the largest unions, despite important differences in the industries in which they operate, generally led the way in securing gains equal to or in excess of those granted by other industries? (2) Have wage-and-benefits levels in other important industries followed the increases won by the largest unions quite closely? (3) Have the increases in wages and benefits in industry generally clearly exceeded what could be explained on strictly market or economic grounds during periods of sluggish expansion and continuing unemployment? (4) Have wage-benefit levels continued to rise in the economy even in periods of recession? (5) Finally, have wage-benefit levels in the industries in which the largest and most powerful unions operate risen considerably more than economic conditions in these industries would warrant? I shall briefly review the evidence on each of these five points for six large union groups—in automobile manufacturing, building construction, coal mining, railroads, steel and for-hire trucking—and for the economy as a whole during the 1947-60 period.

As to the first question, the gains secured by these six union groups were well in excess of those granted by industry generally between 1947 and 1960. (See Table I below.) In absolute terms, the increases in straight-time hourly earnings in the six industries ranged from \$1.28 in automobiles to \$1.76 in construction against \$1.03 in all manufacturing. Percentage-wise, the gains in the six industries relative to the all-manufacturing average were somewhat less striking since the former all started from higher base values. If comparative data on fringe benefits were available, the contrast on both absolute and relative grounds would have been a good deal sharper. The foregoing results seem wholly consistent with the hypothesis that these large unions exerted an important independent influence on industry wage levels during this period, and as I shall

argue later, certainly more than could be explained in terms of market developments alone.

Regarding the second question, there was a striking similarity in the movement of wages and benefits in a wide variety of industries during this period, but whether the settlements reached by the biggest unions were chiefly responsible for this outcome is open to debate.

TABLE 1
Straight-time Hourly Earnings of Production
Workers for All Manufacturing and
Six Selected Industries
1947-1960*

Industry	<i>Straight-time Average Hourly Earnings</i>					
	<i>Absolute Amounts</i>			<i>Indexes (1947-1949=100)</i>		
	1947	1953	1960	1947	1953	1960
Automobiles (Mo. Veh. & Equip.)	\$1.44	\$2.09	\$2.75	92	134	176
Bituminous Coal ^a	1.64	2.48	3.27	90	136	179
Construction ^b	1.90	2.72	3.66	92	132	177
Railroads (Class I) ..	1.22	1.99	2.80	89	145	204
Steel (basic)	1.41	2.09	3.02	93	137	198
Trucking ^c	1.30	1.90	2.65	92	135	188
All Manufaacturing.....	1.20	1.71	2.23	93	133	173

^a Gross hourly earnings.

^b Union rates.

^c Union local city rates.

Sources: Bureau of Labor Statistics, Association of American Railroads, Department of Commerce, Interstate Commerce Commission.

*I wish to acknowledge the help of Milton Kelson in preparing the three tables which follow.

Despite widely contrasting economic trends, average hourly earnings in durable and non-durable manufacturing rose in about the same proportion between 1946 and 1960, each slightly more than doubling over this period. Hourly earnings in trade and related fields also rose by about the same percentage amount during this fourteen year period, although mounting demand pressures relative to available supplies of labor could explain much of the increase in these areas. Using 1947 instead of 1946 as a base, the percentage differences in wage increases in durables compared to non-durables were somewhat greater. Thus, while the influence of the big bargaining settlements was felt in a wide range of industries during the postwar period, this

influence appears to have been of only indirect and minor significance in many industries farther removed from the big union centers.⁵

Regarding the third question, the rather limited recoveries occurring between 1953 and 1960 were all marked by fairly sharp advances in wage-benefit levels despite persistent unemployment. In the 1954-57 expansion, unemployment of the nonfarm work force averaged slightly over five per cent and even in the peak year of 1957 it still stood at this amount. A number of bottlenecks developed in particular markets in the course of this recovery, demand pressures being especially severe for certain high level skills in heavy industry and for certain types of labor in various service lines. Given their minority membership status, unions could at most have only aggravated inflationary tendencies present in this period. Nonetheless, the rise of 14 per cent in straight-time hourly earnings of production workers in manufacturing in the face of persistent unemployment during the 1954-57 recovery is hard to explain in terms of market influences alone. In the shorter and weaker recovery of 1958-59, the unemployment average was considerably higher (6.4%), the index of consumer prices rose about half as much (1% vs. 2% per annum) while straight-line hourly earnings of production workers in manufacturing rose somewhat less than before (3.4% vs. 4.7% per annum).

Table 2 shows the changes in manufacturing wages, employment and wholesale prices in terms of cyclical turning points for the postwar period, and also on an average monthly basis to allow for differences in the length of the recovery periods. This method of presentation, however, yields essentially the same results suggested by straight annual comparisons. In both of the last two recoveries it seems quite clear that the wage level rose by a good deal more than could be attributable to any pressure of demand on labor supplies.

The evidence with respect to the fourth question concerning the behavior of wage rates in recession periods is more striking still. When compared on an annual basis, straight-time hourly earnings of production workers in manufacturing increased in all of the postwar contractions: in 1948-49, by 5%; in 1953-54, by 3%; in 1957-58, by 3%; and in 1959-60, by 4%. When the data are shown for cyclical turning points of the four postwar recessions, there was a negligible decrease in the November 1948-October 1949 downswing but gains

⁵ See the study of postwar bargaining patterns by Harold M. Levinson scheduled for publication in 1962.

TABLE 2
Average Hourly Earnings, Employment and Wholesale Prices,
All Manufacturing, for Cyclical Periods, 1945-1961

Period ^a	<i>Straight-time Hourly Earnings (Prod. Workers)</i>		<i>Employment (Prod. Workers)</i>		<i>Wholesale Prices in Mfg.</i>	
	Amounts	Av. Mon. % Chg.	Numbers (in mil.)	Av. Mon. % Chg.	Indexes ^b (1947-49=100)	Av. Mon. % Chg.
A. Recoveries (trough-to-peak)						
1. Oct. '45-Nov. '48.....	\$.93-1.36	1.22	10.6-12.8	.53	70.2-103.1	1.23
2. Oct. '49-July '53.....	1.35-1.71	.58	11.4-13.9	.47	104.5-114.8	.22
3. Aug. '54-July '57.....	1.74-2.01	.43	12.4-13.0	.12	119.2-130.3	.26
4. Apr. '58-May '60.....	2.07-2.22	.28	11.4-12.3	.29	131.1-135.3	.12
B. Contractions (peak-to-trough)						
1. Nov. '48-Oct. '49.....	1.36-1.35	-.06	12.8-11.4	-.90	103.1-104.5	.12
2. July '53-Aug. '54.....	1.71-1.74	.13	13.9-12.4	-.74	114.8-119.2	.27
3. July '57-Apr. '58.....	2.01-2.07	.30	13.0-11.4	-1.18	130.3-131.1	.06
4. May '60-Apr. '61.....	2.22-2.27	.19	12.3-11.4	-.60	135.3-137.1	.11

^a Peak and trough dates of National Bureau of Economic Research.

^b Estimates on quarterly basis from Charles L. Schultze, *Prices, Costs and Output* (C.E.D., 1960) and extrapolations derived from Schultze data and GNP implicit price deflator.

Sources: Bureau of Labor Statistics and Department of Commerce.

in the next three, with the increases appearing especially marked after 1953 when long term collective bargaining agreements became more important. (See Table 2 above.) The fact that wage levels not only remained steady but typically increased in most postwar contractions strongly suggests, though of course it does not prove, that the unions exerted considerable economic influence in the postwar period.⁶

Finally, as to the fifth question, have these very large labor organizations been able to score gains in wage-benefit levels well in excess of what could have reasonably been expected in light of economic trends in these industries? The data on wages, output, employment, productivity, prices and profits are set forth in Table 3. In the case of at least two of the industries—bituminous coal and railroads—the answer is clearly in the affirmative. In both fields output, employment and post-tax profits either followed a declining trend or remained at unfavorable levels. The one economic influence conducive to higher wage-benefits levels was the sharp rise in productivity which occurred in these two industries in the postwar period, but in the face of falling demand and rising unemployment this factor could not by itself explain the very substantial increase in wages and benefits. The conclusion is inescapable that the principal explanation lay in the ability of the coal mining and railroad unions to impose settlements which ran quite counter to economic developments in the two industries.

Postwar economic conditions in the other four industries—automobiles, basic steel, construction and trucking—were decidedly more mixed, so it becomes less clear whether the unions wielded much influence on wage-benefit levels and if so, whether they exerted a seriously disturbing economic effect. As the data contained in Table 3 indicate, each of these industries faced various problems which severely limited their wage-paying capacity at least on a long-run

⁶In a recent article Clarence Long cites a variety of statistics in support of the thesis that both before and after the advent of mass unionism wages were "highly sensitive to economic cycles." The hourly earnings data he used, however, were affected by overtime premiums, intra- and inter-industry shifts in the composition of employment, etc., so his findings do not invalidate the view that wage rates are rigid in cyclical downswings. The only observation he makes coming close to this latter point provides striking support for the particular view being developed here. He observes: "This sensitivity of year-to-year (percentage) changes may be compared with the absolute level of wages, which fell in less than a third of the business cycle contractions and *showed no declines at all since 1933.*" Clarence D. Long, "The Illusion of Wage Rigidity," *The Review of Economics and Statistics*, May, 1960, Vol. XLII, No. 2, footnote 15, p. 142 (underlining supplied).

TABLE 3

Indexes of Straight-Time Hourly Earnings and Employment (Production Workers), and Output, Productivity, Prices and Profits, All Manufacturing and Six Selected Industries, 1947-1960.

Industry	Indexes (1947-1949 = 100)										Post-Tax Net Profits As Percent of Sales *		
	Straight-Time Hourly Earnings		Employment		Real Output		Output per Prod. Worker Man-Hour *		Wholesale Prices				
	1953	1960	1953	1960	1953	1960	1953	1960	1953	1960	1947	1953	1960
Automobiles	134	176	119	95	126	168	100	169	119	141	6.5%	4.1%	3.0%
Bituminous Coal.....	136	179	68	36	81	73	128	211	108	119	9.7	2.1	1.1
Contract Construction....	132	177	125	132	141	179	114	141	122	143	3.4	1.3	0.9
Railroads (Class I).....	145	204	94	61	98	89	120	173	122 ^c	126 ^c	4.3	4.1	0.9
Steel (basic).....	137	198	109	90	133	119	118	136	138 ^d	178 ^d	6.3	4.8	3.3
Trucking (for-hire).....	135	188	128	157	174	231	136 ^b	147 ^b	127	149	3.8	1.9	2.0
All Manufacturing.....	133	173	112	99	136	159	122	158	113	125	5.7	3.5	3.2

^a Estimates based on ratios of output indexes to production worker man-hours indexes; the estimates are particularly rough for automobiles, construction and trucking.

^b Output per worker (production and non-production).

^c Average rail carload weight rates.

^d Steel mill products.

^e Industry coverage of profit data is limited in the case of bituminous coal, contract construction and for-hire trucking; bituminous coal and for-hire trucking profits for 1959, not 1960.

Sources: Bureau of Labor Statistics, Association of American Railroads, Department of Commerce, Interstate Commerce Commission, Joint Economic Committee, Internal Revenue Service.

basis. While enjoying certain highly profitable years, neither automobiles nor basic steel could be characterized as strong growth industries between 1947 and 1960; both experienced periods of severe unemployment and excess capacity of almost chronic proportions. For about ten years after the war, however, sales of automobiles and steel companies were booming, prices were moving higher and profits were favorable. General conditions became much less favorable after 1957, but by this time the major firms were beginning to reap the benefits of capital expansion and rebuilding programs. It seems clear, then, that (1) basic economic trends in both fields were conducive to rising wage-benefit levels, but (2) the latter levels were raised more than they would have been in the absence of unions and (3) the policies of the two unions had widespread repercussions.

The last two industries, building construction and for-hire trucking, experienced considerable growth in the postwar period with total output and employment following a quite definite upward trend. The estimates shown in Table 3 of changes in output per man-hour in these two fields are very rough, but the data indicate that productivity rose less in building construction and trucking than in manufacturing generally.⁷ Small firms predominate in both fields, competition is intense, profits are relatively low and, unless brought under some system of control, operating conditions in particular localities can become completely demoralized. These circumstances impose important limitations on union efforts to raise wage-benefit levels in these two industries. Nonetheless, both union groups made striking gains in the postwar period, certainly more than could be expected in the absence of union pressure. These gains had widespread intra-industry repercussions since many smaller, less efficient firms were not in a position to absorb them. On the other hand, growth trends in the two industries were favorable and this kept the unions' policies from being widely disturbing. (See Table 3 above.)

V

These empirical findings, while not detailed enough to be more than suggestive, are consistent with the hypothetical analysis of wage-price relations presented earlier, but with certain important qualifications. As in that analysis, the facts suggest that a small

⁷ No authoritative figures are available on productivity trends in the automobile industry either.

number of very large unions have been able to push up the wage-and-benefits level in a highly diverse but highly important sector of the economy a good deal more rapidly than is explicable on general economic grounds. Wage-benefit levels in other industries have also moved up more closely in step with the level in this central industrial plateau than would be indicated by the diverse economic conditions prevailing among these industries. The result is that the country's wage-benefit level has risen substantially throughout the postwar years, not only in vigorous recovery periods when they would presumably have risen anyway, but also in recoveries in which serious unemployment was present and even in recessions when unemployment was rapidly increasing. Not all of the largest and most powerful unions, however, have operated in industries in which opportunity gains have been especially marked or widespread. As a consequence, these unions have speeded up the restructuring of such industries materially, causing some serious dislocations in the process.

One of the principal factors explaining these results, I submit, lies in the ability of very large labor organizations to secure unusually favorable settlements from the economically most successful firms or employer groups, and to apply these settlements to those which are less favorably situated. From the viewpoint of steady expansion of the economy and efficient utilization of our physical and human resources, many advantages derive from bargaining along these lines compared to dealings on a non-union basis, but there clearly are serious dangers too. These dangers need to be intensively studied to determine whether remedial action ought to be undertaken.

LABOR MARKET BEHAVIOR AND THE RELATIONSHIP BETWEEN UNEMPLOYMENT AND WAGES

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The relationship between unemployment and wages has been a perennial if protean issue in economic theory. Recently Professor A. W. Phillips advanced the view that the percentage rate of change of money wages in the United Kingdom is largely explained by the level of unemployment and its rate of change.¹ Furthermore, this relationship, which has been summarized as the "Phillips curve," has been found to be quite stable for nearly a hundred years. Subsequently, Phillips' thesis has been severely criticized by Routh² and expanded upon by Lipsey.³ An examination of comparable United data by Bowen,⁴ Schultze⁵ and Bhatia⁶ casts serious doubt upon the validity for the American economy of Phillips' hypothesis. Inasmuch as the statistical basis for the hypothesis, and for its critics and commentators, has been aggregate data, it would seem interesting to analyze the hypothesis with the aid of labor market figures. The use of labor market statistics should cast some light on the relationship and may be of significance in evaluating the theoretical explanations.

1. *The Theoretical Explanation of the Relationship Between Wages and Unemployment.*

An immediate question arises as to the relationship between the individual labor markets and the aggregate data, or in other words, the aggregation problem. The theoretical explanations of the relation-

¹ A. W. Phillips, "The Relation Between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861-1957," *Economica*, (November, 1958).

² Guy Routh, "The Relation Between Unemployment and the Rate of Change of Money Wage Rates: A Comment," *Economica*, (November, 1959).

³ Richard G. Lipsey, "The Relation Between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1862-1957," *Economica*, (February, 1960).

⁴ William G. Bowen, *Wage Behavior in the Postwar Period* (Princeton: Industrial Relations Section, 1960), pp. 21-54.

⁵ Charles Schultze, *Recent Inflation in the United States*, (Study Paper No. 1, Joint Economic Committee, Congress of the United States, September, 1959), pp. 60-61.

⁶ Rattan J. Bhatia, "Unemployment and the Rate of Change of Money Earnings in the United States, 1900-1958," *Economica*, (August, 1961).

ship between wage changes and unemployment by Bent Hansen,⁷ Phillips,⁸ and Lipsey⁹ are based upon a hypothesis of local market behavior. Hansen's theory, which is a representative one, assumes that the change in wages in any labor market is determined by the relative excess demand for labor multiplied by a constant, k , which is termed the coefficient of money wage flexibility.¹⁰ For a heterogeneous labor force distributed among n markets, and from time point 0 to time point 1, this relationship is stated:

$$\frac{\Delta w_i}{w_i^0} = k_i \cdot \frac{X_i^0}{S_i^0} \quad (1)$$

where $X_i^0 = D_i^0 - S_i^0$ and $\Delta w = w' - w^0$, and with the assumption that each labor market has its own money wage rate w_i , supply S_i , demand D_i , excess demand X_i , and where the money wage flexibility k need not be the same for each market.¹¹

The aggregate wage index W obtained is a moving Laspeyres index with the supplies of the labor markets in the preceding period as weights. Hence,

$$W' = \frac{\sum w_i' \cdot S_i^0}{\sum w_i^0 \cdot S_i^0} \quad (2)$$

Since $W' - W^0 = \Delta W$ (2) becomes

$$\Delta W = \frac{\sum k_i \cdot w_i^0 \cdot X_i^0}{\sum w_i^0 \cdot S_i^0} \quad (3)$$

And from (3), the change in the aggregate wages is a function of the weighted sums of all money values of excess demands, the weights behind the money wage flexibility coefficients of the labor markets. Or, $\Delta W \geq 0$ (4) according to whether $\sum k_i \cdot w_i^0 \cdot X_i^0 \geq 0$.

This "factor-gap" type of analysis concludes that while there is no one-to-one correspondence between the percentage of aggregate unemployment and movements of the wage level, "there is a simple correspondence between the total 'gap' in the labor market (that is, between the total weighted money value of all excess demands and

⁷ Bent Hansen, "Full Employment and Wage Stability," in *The Theory of Wage Determination*, John Dunlop, ed., (London: Macmillan, 1957), pp. 66-78.

⁸ Phillips, *op. cit.*, p. 283.

⁹ Lipsey, *op. cit.*, pp. 12-19.

¹⁰ Hansen, *op. cit.*, p. 68.

¹¹ Excess demand for labor is used as equivalent to overemployment and excess supply to unemployment. *Ibid.*, p. 70. Lipsey proceeds along the same line. *Op. cit.*, p. 14.

supplies in the submarkets) and the movements of the wage level.”¹²

Lipsey's model appears to be quite similar although he makes certain assumptions about ranges of linearity and non-linearity in the relationship between the rate of change of wages and unemployment in the micro markets which results in asymmetrical aggregate changes if the unemployment rates differ in the local markets. Accordingly, Lipsey emphasizes that the macro relationship will coincide with the micro relationship “only if there is an identical percentage of the labor force unemployed in each market at all levels of aggregate unemployment.”¹³ When the percentages of unemployment differ in the local markets, then the rate of wage changes is a function of the distribution of unemployment among the different labor markets.

It is clear that the basis for the Phillips-Lipsey-Hansen explanation of wage-unemployment relationship rests upon a specific assumption of local labor market behavior. We shall test the empirical evidence for this assumption shortly. As a preliminary step, however, it may be appropriate to discuss the technical problems involved in the aggregation of wages and unemployment rates. The aggregation constructed by Phillips-Lipsey-Hansen is one in which the aggregates are averages (weighted and unweighted) and their macro theory is derived from a micro theory by analogy. However, it can be shown that contradictions may easily arise between conclusions based upon the macro from that of the micro theory.¹⁴

It seems difficult to avoid the conclusion that the unqualified use of aggregate figures to establish a macro relationship based upon micro behavioral assumptions is open to question. At the very least, there will always be some doubt as to the reliability and economic

¹² *Ibid.*, p. 72.

¹³ Lipsey, *op. cit.*, p. 18.

¹⁴ See H. Theil, *Linear Aggregation of Economic Relations*, (Amsterdam: North-Holland Publishing Co., 1954), pp. 2-9, 134-170. There is a way out. In place of a summation, simple or weighted, of the variables in each labor market to get an aggregate figure, it will be necessary to construct a fixed weight index in which weights are attached to the local labor market variables in proportion to the parameters specified in the micro-equations. The resulting macro equation will then fulfill the requirements for “perfect” aggregation, that is deviations between micro and macro behavior will not occur. While this formal solution exists, the formidable difficulties in constructing such an index are such as to make it unlikely that with existing data and knowledge that such aggregation is possible even in the linear case. For the non-linear case, e.g., the “Phillips curve” itself, the practical problems seem insurmountable. For a complete discussion, see Theil, *Ibid.*

significance of the aggregate relationships when they are used to verify theory postulated in micro terms.

2. *Local Labor Market Statistics: Sources of the Data.*

The Bureau of the Budget in 1948 established Standard Metropolitan Areas for the purpose of delineating specific labor markets. The labor market in this context is a geographical area which has been defined as "the complex of economic and social factors involved in the process through which employers recruit workers and workers seek employment."¹⁵ If there is a specific relationship between wage changes and unemployment then it should be operative within the appropriate market.

Average hourly earnings for production workers in manufacturing in 154 labor markets are available from the Bureau of Labor Statistics' publication *Employment and Earnings*. Of course, average hourly earnings differ from wage rates in reflecting premium pay for overtime, shift differentials, shifts in the relative number of high and low paid workers, changes in the productivity of piece workers and other factors. While it is true that average hourly earnings will be more sensitive to changes in production than will wage rates, Creamer's study suggests that the cyclical amplitudes of wage rates and average hourly earnings are "closely similar" and move together throughout the cycle.¹⁶ For each of the 84 markets for which figures were available for the seven years 1954 through 1960, percentage changes in wage rates were calculated by subtracting the average hourly earnings in January in any year from the average hourly earnings in December and dividing this by the yearly average.

Rates of unemployment for each of the 84 SMA were obtained by a conversion of the Bureau of Employment Security's letter grades, using the midpoint of the letter as the average unemployment rate. For example, the BES employs the letter C to designate an unemployment rate of between 3% and 5.9%. For a market with a C rating, the midpoint percentage of 4.5% was used. When there was a change in the letter grade during the course of the year—and letters were assigned on a bimonthly basis—appropriate weights

¹⁵ Louis Levine, "Unemployment by Locality and Industry," in *The Measurement and Behavior of Unemployment*, National Bureau of Economic Research, (Princeton: Princeton University Press, 1957), pp. 327-8.

¹⁶ Daniel Creamer, *Behavior of Wage Rates During the Business Cycles*, (Occasional Paper 34, National Bureau of Economic Research, 1950), p. 2.

were applied and an average yearly rate derived. These unemployment rates are based on unemployment insurance claims supplemented by other sources including benchmark audits for all employees in the labor market.

3. *The Behavior of Wages and Unemployment.*

A scatter diagram of the relationship between aggregate unemployment and average hourly earnings for 84 markets is presented in Graph I. Table 1 presents these figures in tabular form. A

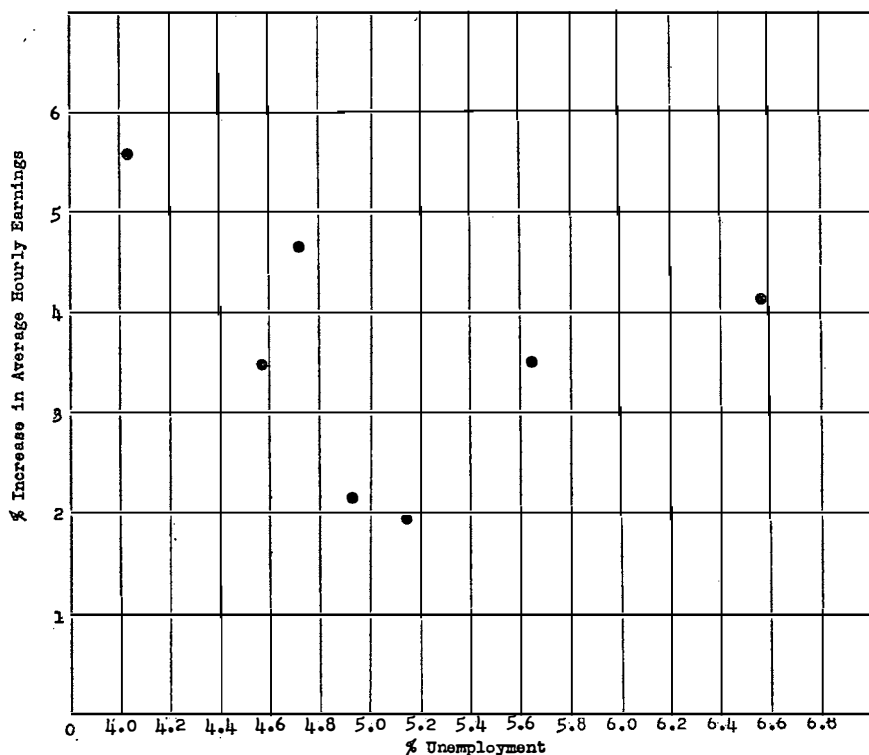
TABLE 1
Aggregate Average Unemployment Rates and Average Hourly Earnings for 84
Markets, 1954-1960

<i>Year</i>	<i>Unemployment Rate</i>	<i>% Change in Earnings</i>
1954	4.93	2.14
1955	4.73	4.67
1956	4.04	5.59
1957	4.59	3.49
1958	6.59	4.12
1959	5.65	3.54
1960	5.14	1.97

visual examination of Graph I shows a loose negative relationship which was tested by the fitting of a linear regression equation. The equation obtained is $dE = 1.75 - 3.73 U$. R^2 for this relation is .06 which is not significant at $P = .05$.

However, a cross-section analysis of each of the years displays a striking contrast with the aggregate relationship. Graphs II, III, and IV show this relationship for 1956, 1957 and for 1958. Instead of the loose relationship apparent in the aggregate statistics, the cross-section scattergram is a veritable milky way of points. Closer examination reveals that most of the points are concentrated in prosperous 1956 in areas where the unemployment rates were either just over 2% or just under 4%. For the latter markets, the associated wage increases ranged from less than 2% to over 16%. Almost as wide a spread is evident from the markets bunched around the 2% unemployment rate. Other points are scattered in both positive and negative directions.

Turning to the graph for the year 1957, we note a shifting of the points to the right reflecting the slightly increased unemployment and a moderate dampening of the wage increases. Visually there

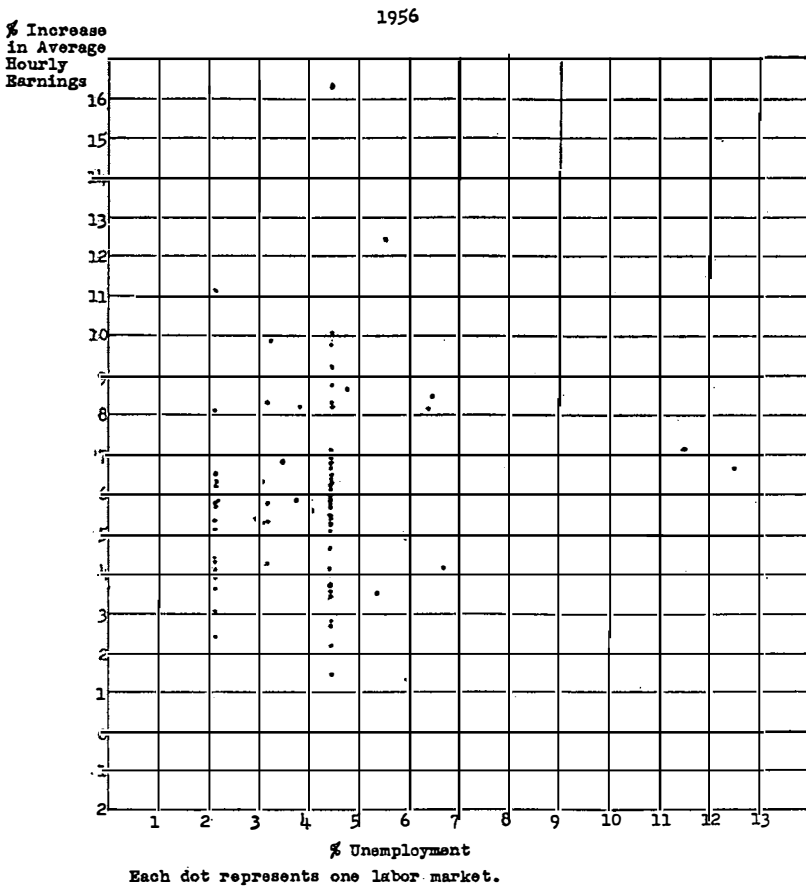


GRAPH I

appears to be a disintegration of the concentration about the 2% unemployment level but a continued heavy concentration around the 4.5% mark. Again, there is a very wide spread of wage rate changes associated with specific unemployment rates. For example, the modal unemployment rate of 4.5% is associated with a decline in earnings in one market as well as an increase of 12% in another. One area shows no change in earnings at slightly more than 9% unemployment but 3 other markets with higher rates of unemployment manifest some wage increases.

Perhaps, the most interesting year is 1958. While the modal unemployment rate continues to be 4.5%, very few markets are to the left of the mode. An unemployment rate of 4.5% continues to be associated with wide wage rate changes ranging from over 7% to no increase at all. But the many markets with heavy unemploy-

ment rates show a distressing lack of consistency in their wage rate behavior. Indeed, the highest wage increase for all markets studied, over 15%, occurred in an area (Flint, Michigan) where the unemployment rate was in excess of 10%. An actual decrease in wages happened only in two markets which had only moderate (about 6½%) unemployment.

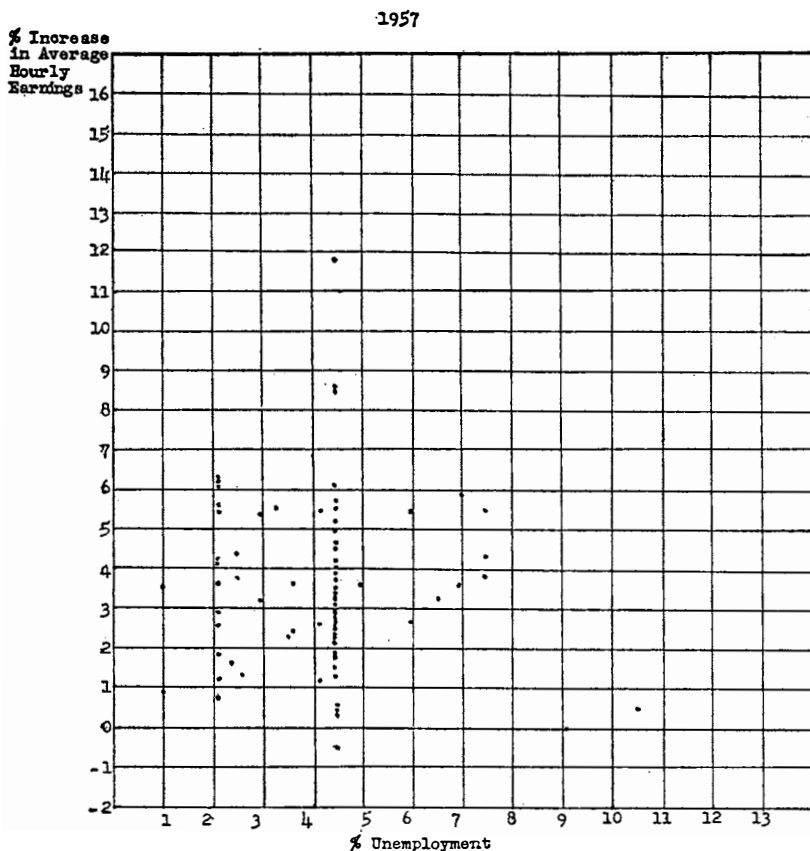


GRAPH II

Each dot represents one labor market.

Total markets—84.

Sources: U. S. Bureau of Labor Statistics: *Employment and Earnings*;
U. S. Bureau of Employment Security: *The Labor Market and Employment Security*.



GRAPH III

Each dot represents one labor market.

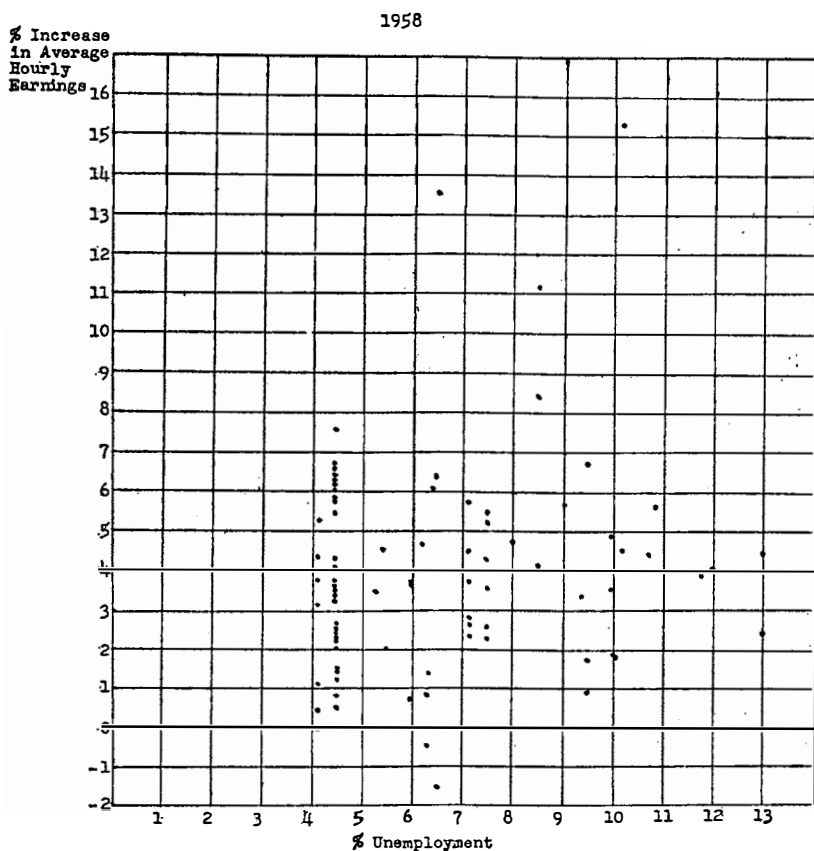
Total markets—84.

Sources: U. S. Bureau of Labor Statistics: *Employment and Earnings*;
U. S. Bureau of Employment Security: *The Labor Market and Employment Security*.

4. Local Labor Market Behavior of Wages and Unemployment.

The modus operandi of the Hansen-Phillips-Lipsey explanations of the relationship between unemployment and wage changes rests upon the assumption that wages are inversely related to unemployment in the local labor market. In order to test this assumption, a two by two contingency table has been constructed on the basis of the behavior of the 84 markets studied. The results for the

seven years from 1954 to 1960 are summarized in Table 2 which can be interpreted with the aid of the model set forth in Table 3. The table is divided into above and below average unemployment rates and above and below the average change in average hourly earnings. If a negative relationship exists, then most of the markets should fall into cells 2 and 3: that is above average unemployment and below average wage changes and below average unemployment and above average wage increases. The Chi square test for significance



GRAPH IV

Each dot represents one labor market.

Total markets—84.

Sources: U. S. Bureau of Labor Statistics: *Employment and Earnings*;
U. S. Bureau of Employment Security: *The Labor Market and Employment Security*.

TABLE 2
2 by 2 Contingency Table for Unemployment and Changes in Average Hourly Earnings*

<i>Year</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1954	13	11	27	33
1955	9	16	31	28
1956	32	19	16	15
1957	7	5	34	38
1958	19	16	19	30
1959	14	20	27	23
1960	8	11	35	30

*The meanings of columns 1, 2, 3, and 4 are to be found in Table 3.

TABLE 3
Format for 2 by 2 Contingency Table

	<i>Above average unemployment</i>	<i>Below average unemployment</i>
Above average increase in hourly earnings.....	1	3
Below average increase in hourly earnings.....	2	4

at the 5% level confirms the visual impression that at the local labor market level for the years covered no significant inverse relationship exists. The evidence supports just as well (or, more accurately, just as poorly) a positive relationship. Furthermore, the individual markets jump back and forth between the cells in different years in an apparently random fashion.

In order to test the Lipsey-Phillips hypothesis that the rate of change of unemployment is an independent variable that, with the level of unemployment, determines wage changes, the statistics of the local labor markets were appropriately assembled and collated. Table 4 is a two by two contingency table in which the cells represent above and below average absolute rates of change of unemployment for the individual labor markets and above and below average wage changes. If the rate of change of unemployment was associated

TABLE 4
Format for 2 by 2 Contingency Table

	<i>Above average unemployment</i>	<i>Below average unemployment</i>
Above average wage increases.....	1	3
Below average wage increases.....	2	4

inversely with wage changes, then most of the observations for the local markets should fall in cells 2 and 3. Table 5 summarizes the actual behavior of the 84 markets which does not support any association between changes in earnings and the rate of change of unemployment. Again, inspection of the individual labor markets reveals no apparent consistent pattern of behavior.

A surprising number of markets had no change in unemployment from one year to the next. A breakdown was consequently made for the dual purpose of isolating and examining the markets with no changes in unemployment and in order to analyze separately those markets with either positive or negative changes in unemployment. A 3 by 2 table was utilized with the cells indicating positive, negative and zero rates of change of unemployment as well as above and below average wage changes. (Table 6 is the model table while Table 7 summarizes the data for the 84 markets.) In this case, the Hansen-Phillips-Lipsey assumptions would predict that most markets would be found either in cell 3 in which above average wage increases are associated with negative changes in the rate of unemployment or in cell 2 which contains below average wage increases along with positive changes in unemployment. The results in Table 7 do not support the assumptions.

TABLE 5

2 by 2 Contingency Table for Absolute Rates of Change of Unemployment and for Changes in Average Hourly Earnings*

Year	Δ Unemployment			
	1	2	3	4
1955	27	32	13	12
1956	28	16	21	19
1957	11	9	31	33
1958	22	18	17	27
1959	19	26	22	17
1960	22	23	21	18

*The meaning of columns 1, 2, 3, and 4 is given in Table 4.

TABLE 6

Format for 3 by 2 Contingency Table

	Δ Unemployment		
	Positive	Negative	0
Above average wages.....	1	3	5
Below average wages.....	2	4	6

TABLE 7
3 by 2 Contingency Table for Changes in the Rate of Unemployment and Changes in Average Hourly Earnings*

<i>Year</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>
1955	12	11	13	12	15	21
1956	6	3	22	20	21	12
1957	11	9	10	9	21	24
1958	36	33	1	0	2	12
1959	3	7	28	23	10	13
1960	5	1	23	24	15	16

*The meaning of columns 1, 2, 3, 4, 5, and 6 is given in Table 6.

No strong regularity in behavior shows up for those markets with zero changes in unemployment. However, cyclical influences appear to predominate both in the direction of wage changes and in the number of markets which fall in this category. In the boom year of 1956, the total number of markets with no changes in unemployment was 33, of which 21 had above average increases in wages. In the recession year of 1958, there were 14 markets with unchanged unemployment, with only 2 markets having wage increases above the average.

5. *Conclusions.*

In a large measure, any conclusions to be drawn must be severely qualified by the limitations of the data and the particular time period covered. It would be good to know, for example, what distortions are introduced by using average hourly earnings instead of wage rates, and what corrections are necessary to eliminate the problems involved in associating earnings in manufacturing with total market unemployment rates. Conceivably, the results might be otherwise and in the direction envisaged in the theories discussed. And, of course, there may be special reasons why the time period covered exhibits certain aberrations from a more "normal" relationship. Certainly "aggregate" unemployment did not change very greatly in the seven years which, at any rate, may be too short to make generalizations about economic behavior.

But it does seem legitimate to draw some tentative conclusions which go beyond the non-controversial point that aggregation is perilous. To begin with, we cannot escape the fact that the data do not support widely used assumptions of local market behavior. While the aggregate unemployment rates did not vary greatly, indi-

vidual markets showed violent changes in the level and rate of change of unemployment which were not associated with postulated changes in wages. Furthermore, within a labor market and between labor markets, there does not seem to be a particular unemployment rate which invokes a consistent response in the behavior of earnings. The data indicate that there are many levels of unemployment consistent with any percentage change in earnings. This seems to cast some doubt about the appropriateness of much of the discussion about the "terms of trade" between unemployment and wage increases, at least for levels of aggregate unemployment which approximate the period under study. This is not to gainsay the view that a very large aggregate unemployment rate, say of 20% or perhaps even lower, may not have a restraining influence on wages nor that a low unemployment rate of say 1%, may not have the opposite effect. In both cases, however, the aggregate unemployment rates reflect forces that are pervasive throughout all or most of all labor markets. Obviously, this is not the case with an overall rate of unemployment of 4 to 10%, where heavy unemployment exists in some market and not in others.

To students of the labor market there is nothing very surprising about these findings. From Marshall on, economists have dwelt upon the peculiar properties of the labor market as compared to other markets. Numerous labor market studies have pointed out that economic pressures are not always exclusively focussed on wages but may be diverted into other areas such as changes in hiring standards and in the enforcement of industrial discipline.¹⁷ These studies have also called attention to the malfunctioning of the equilibrating mechanism of the free market, the mobility of workers, and have described various other impediments. It has also been widely recognized that the existence of unions has some influence on the supply side of the labor market. Surely with what we know about the labor market, its imperfections and lags, it does seem rash to posit a simple correspondence between wages and unemployment, at least for the short run.

On the basis of this paper, several observations about the wage-unemployment relationship in individual markets may be made. An expanding market may have had small wage increases associated with

¹⁷ Lloyd G. Reynolds, *The Structure of Labor Markets*, (New York: Harper & Brothers, 1951), pp. 207-256; and Charles A. Myers and George P. Shultz, *The Dynamics of a Labor Market*, (New York: Prentice-Hall, 1951), pp. 175-193.

very low unemployment rates simply due to a continually shifting supply curve. And lags in response to changes in unemployment may not be measurable in calendar months but in terms of economic events. For example, in 1958 many markets with high unemployment rates had very high wage increases. But in 1960 these same markets with correspondingly high unemployment rates showed little if any increase in wages. This may very well reflect the behavior of the unemployed who preferred to exhaust unemployment insurance and personal resources before they were willing to work for less wages. In other words, the response of wages may be a function of the duration and periodicity of unemployment as well as upon its level and rate of change.

DISCUSSION

WILLIAM G. BOWEN

Princeton University

Taking account of variations in the quality of almost anything—automobiles, scholarly papers, or secretarial services—is a difficult task, and Evans is certainly to be commended for his bravery. He has also been versatile and persistent in his efforts to relate clerical wages to clerical competence; yet, I must confess that I am even more reluctant than he is to choose between the “institutionalist” and the “classicist” interpretations of his results. “Inconclusive” seems to me to be a more apt characterization, and I base this judgment not only on the diversity of the reported findings but also on more general considerations.

Evans himself is very forthright in recognizing the conceptual limitations of his measures of worker quality. Here I can only concur in his emphasis on the need for more satisfactory measures and add an appeal for a larger sample.

There is also a more basic difficulty, inherent in studies of the relationship between worker performance and wage rates, and in this case it is not clear from Evans' paper that the problem is recognized. In brief, my point is that worker quality, in the sense of actual, *ex post* worker performance, may well depend upon wages, as well as vice versa. A recent issue of the *New York Times*¹ contains documentation of a sort for this argument, in the form of a reference to a case study showing that the carelessness of an employee was attributable to her (subconscious) anger at what she (wrongly) interpreted to be her boss' salary policy. The moral seems to be that machines do what they can, secretaries do what they will. The strong relation between years of experience with a company and rate of pay can perhaps be better explained in terms of intra-firm morale considerations than in terms of a direct relationship between length of time on the job and capacity to do good work. One empirical implication of this line of reasoning is that wage rates and the quality of *ex post* worker performance are likely to be positively correlated even if there is no systematic relationship between wage rates and worker capabilities. I might add that this line of reasoning also has complica-

¹ December 9, 1961, p. 29.

tions for our conception of what constitutes an economically efficient wage structure.

Turning now to Pierson's discussion of unionism and wage levels, I have no quarrel with his argument that big unions have some effect on the money wage level. The empirical evidence he offers is impressive, and also happens to match up rather well with the results of some of my own work—though I do not pretend that this congruity demonstrates anything more than that we used some of the same data.

What I find lacking in Pierson's paper is any systematic attempt to give us an estimate of the *magnitude* of union impact or of the *quantitative relationship between the magnitude of union impact and other variables* such as the overall level of economic activity, employment trends in various industries, industrial concentration, and profitability.

The absence of any estimates of *how much* difference big unionism has made in turn makes it difficult to appraise Pierson's contention that his viewpoint differs significantly from accepted notions. It should be kept in mind that much of the earlier work cited by Hildebrand concerned the immediate post World War II years, when it was generally agreed that the pent up pressures of excess aggregate demand swamped all else. Furthermore, most economists who have written on this subject have argued, not that unions have no effect, but that the public often tends to exaggerate the independent influence of unionism. In short, the issue of continuing importance seems to me to be the magnitude of union impact under varying circumstances.

With regard to Pierson's *a priori* analysis, I have three brief comments: (1) The work of Reynolds and others suggests that even in the absence of unions workers employed by unusually well situated firms are likely to share to some extent in the attendant economic gains. (2) Recruitment needs and morale considerations encourage some degree of wage transmission even in the absence of unions. (3) The impact of foreign competition (for instance in the automobile industry) and the existence of continuous inter-industry competition for the consumer dollar perhaps deserve more attention than they have been given in this paper.

I come now to the interesting attempt by Ross to analyze the unemployment-wage relation at the local labor market level. Here I shall try to make only one main point—namely, that I think Ross

is mistaken in assuming that we should expect to find the same kind of empirical relationship between unemployment and money wages at the local labor market level as at the level of the economy as a whole. First of all, it is clear that in our present-day economy many wage settlements are determined on a company-wide or even on an industry-wide basis, and that the geographic area encompassed by such settlements often extends well beyond the boundaries of the standard metropolitan areas used as the units of account in local labor market analysis. And there is also a more fundamental problem which would exist even if all wage decisions were made at the local level in response to purely local conditions.

In the context of a local labor market one would not only expect money wages to be somewhat sensitive to the level of unemployment, but one would also expect the level of local unemployment to be somewhat sensitive to changes in the relative wage level of the particular area. Consequently, it is not clear what the lack of a simple correlation between local labor market wage changes and local unemployment conditions means—such a statistical finding is not necessarily incompatible with a more consistent economy-wide relationship.

Aggregation does indeed have its perils, but it can also have advantages. The problem of a two-way causal relationship between unemployment and the rate of change of money wages is less serious at the national level because we are dealing with more of a closed system. Furthermore, we have various ways of insulating employment levels in a country from the effects of changes in the relative position of national wage levels: tariffs, international loans, and exchange rate adjustments all serve this function. Employment levels in local labor markets enjoy none of these protections, although I concede that we have found certain substitute measures in the form of depressed area bills, the use of geographic priorities in the placing of government contracts, and the like.

Let me emphasize that none of the above remarks are meant to imply that wage behavior ought not to be studied at the local labor market level. It is just that studies undertaken at this level should be of the simultaneous equation sort and should treat local labor market areas as members of an interrelated set of economic regions. I recognize full well that this is not an easy assignment, that it is always easier to suggest in general terms what should be done than it is to do it.

MARK W. LEISERSON

Yale University

Because of the diverse contents of the three papers presented this morning, I may perhaps be excused for offering only some rather cryptic comments on a few general issues.

In two of the papers—those by Evans and Ross—the authors are seeking to test empirically certain hypotheses derived from familiar propositions in economic theory. The results they achieve, I think it fair to say, are essentially negative. Ross is unable to find any significant relationship between unemployment rates and wage movements in local labor markets. And, despite his expressed view to the contrary, I feel that Evans looks without much success for an objective measure of labor quality which will explain a significant amount of intra-occupational wage dispersion. Since the evidence they submit generally appears to be inconsistent with expectations generated by theories of competitive market behavior and processes, it would be easy to view their contributions as simply offering yet additional “proof” of the inadequacies of competitive models of the labor market. However, one merit of the papers, I believe, is that they emphasize not just the fact of theoretical inadequacies but the particular sources and character of those inadequacies. And rather than demonstrating the uselessness of formal economic theory, the findings may illustrate the value of those analytical tools in providing guides to future research and also enhance their usefulness for policy making purposes by contributing more precise knowledge about their limitations.

Evans’ analysis of a variety of “labor quality” measures, for example, highlights the importance of the information problem in wage-employment decisions in a striking way. For lack of information about the “quality” of workers is not simple ignorance about something “knowable.” By assuming it away competitive market models are abstracting from an essential characteristic of the environment within which wage-employment decisions are made. Consequently such models can obscure the functions performed by various mechanisms observed in the labor market. The important thing is that decisions processes in the face of lack of information are not “random” as the traditional theoretical formulations usually assume. I would be inclined to interpret the importance of length of service to differ-

ential wages as indicating the influence of just such a non-random device for decision in the face of uncertainty. Such at least seems to be a more fruitful approach than viewing, as Evans does, length-of-service as an index of labor "quality." At least it opens up, for example, the possibility of analyzing and evaluating these kinds of decision rules and procedures as rational adaptations to an uncertain environment instead of thrusting them into the residual category of the "non-economic."

In a different way, the importance of giving explicit attention to lack of information and uncertainty in decision-making is emphasized by Ross' conclusion that the aggregative relationship between wage movements and unemployment does not appear to be reflected in individual labor market areas. But the point of his emphasis is more prescriptive than descriptive, warning those concerned with national economic policy that what we think we know may be more dangerous than what we know we don't know. It would be both interesting and fruitful to seek out and to attempt to verify reasons for the apparent inconsistency which Ross has found between the macro- and micro-relationships. But I am not persuaded that the achievement of a completely satisfactory reconciliation between micro- and macro-levels of analysis is as essential as the tone if not the word of the paper seems to imply. In the absence of an all-encompassing theory of social-economic behavior we will always be faced with the necessity of using aggregative relationships which express organizational and structural relations broader than those contemplated in any theoretical framework designed to explain the interaction between individual economic units. I would conjecture, for example, that Ross' negative results are in considerable measure to be explained (but not explained away) by wage determining influences which are not primarily associated with local market conditions.

Among such non-local influences, of course, would be the wage policies of national unions. And if it could be established that unions were effective in insulating, to a substantial degree, wage movements from local labor market conditions it would provide some micro-economic support to Professor Pierson's macro-hypotheses about the effect of big unionism on the general wage level. Nevertheless, I think it more worthy of emphasis here that Ross' and Evans' work weakens, rather than strengthens, Professor Pierson's conclusions as developed in his paper. For his attempt to assess the impact of big

unionism is based in important respects upon conjectures as to what amount of wage movement can be accounted for by the influence of "general economic conditions." These conjectures necessarily rest on purely theoretical foundations. I am not sure that economic theory is yet developed to the point where it can bear the burdens Professor Pierson tends to place upon it.

This is not to deny the general hypothesis that unions have an effect on general wage-price levels as well as on wage structures and resource allocation. But to try to assess that effect in terms of what would have happened, "absent unions," seems to me to be virtually irrelevant unless there is some thought of abolishing trade unions. Remedial action to improve the functioning of the economy by regulating or otherwise affecting union policies and action if at all desirable, would still be desirable even though it could be proved beyond a shadow of a doubt that unions exercised no or only beneficial effects compared to a situation with no unions. In this sense, I think that the point to which Professor Pierson directed his investigation is misconceived. The important questions are those concerned with how wage-employment adjustments occur in an economy where the institution collective bargaining is firmly established in particular sectors and how the operation of that institution might be modified to improve economic performance in one respect or another. Attempts to evaluate the influences of unions by reference to some presumed competitive norms are therefore valuable primarily for their by-products—the insights they provide into the operation of collective bargaining institutions as they exist in this country.

ROBERT B. MCKERSIE

University of Chicago

This should be a happy day for the institutionalists. Professor Pierson has concluded that a few large unions have been able to push up the wage-and-benefits level a good deal more rapidly than is explicable on general economic grounds. Professors Ross and Evans sought to substantiate certain classical relationships between unemployment and wage behavior and between worker quality and wage dispersion. For the most part, these predicted relationships were not discerned.

Both the tradition of these meetings and the approach taken by many economists at the university with which I am affiliated must prompt in you an expectation that I will add a discordant note to any chorus which identifies institutional variables as dominant in explaining labor market behavior. Accordingly, I would like to question the firmness of Professor Pierson's conclusions and to suggest several ways by which the hypotheses of Professors Ross and Evans might be examined more systematically.

WAGES UNDER BIG UNIONISM

Many aspects of Professor Pierson's theoretical reasoning make sense but others need to be viewed cautiously. He speaks of the "rich prizes" which large companies share with large unions. The data on profits in Table 3 does not suggest any abundant ability to pay. But even if certain companies enjoy special advantages, how do unions extend gains won in these instances to less favorably situated companies?¹

Professor Pierson argues that the major unions possess sufficient bargaining power to compel most companies to grant large wage increases. I feel it is an over-simplification to categorize companies into either of two predicaments, those who capitulate because they can afford the settlement and those who capitulate because they cannot afford a strike. The recent steel negotiations call to mind a profitable industry displaying considerable resistance to wage demands. At the other extreme, many companies with limited resources have turned their "weakness" into strength and have succeeded in holding the line or even gaining wage reductions.

I hesitate to speculate further about possible relationships between wages and big unionism since we have passed the point in time when theorizing about this subject served a useful purpose. Therefore, I would like to turn my attention to his conclusions.

Professor Pierson bases his findings on a comparative analysis of wage gains with productivity increases in the six industries and with settlements in other manufacturing industries. The argument

¹The studies of Harold Levinson support the notion that economic forces strongly limit the extent to which a union can extend a key bargain. Harold M. Levinson, "Pattern Bargaining: A Case Study of the Automobile Workers," *Quarterly Journal of Economics*, Vol. LXXIV (May 1960), and the material prepared by Levinson in *Collective Bargaining in the Basic Steel Industry* (U. S. Department of Labor, January 1961).

that productivity increases provide special opportunities into which unions can cut should be viewed with caution. Rapid mechanization may be dictated by the competitive situation and may not create any "rich prizes." Productivity changes certainly serve as the rationalization for wage movements, but do they enable unions to push wages above competitive levels?

In order to measure the independent influence of unions on wages, underlying changes in supply and demand conditions must be isolated. To the extent that some of these companies have been operating in tight labor markets, that cost of living increases have created dissension and morale problems, and that new technology has required higher skill levels, then the normal operation of supply and demand factors would have produced some upward movement in wage rates.

Beyond systematically adjusting for changes in these economic forces, certain other clues need to be explored. The dual pay system and intricate involvement of the government in the railroad industry suggest that higher earnings in this instance may be as much due to the perpetuation of outmoded wage payment systems as they are to the singular influence of the Brotherhoods. In another context the reported existence of many over-rates in the construction industry suggests that in some instances wages have not been pushed above the natural equilibrium.

UNEMPLOYMENT AND WAGES

Mr. Ross's approach to the study of unemployment and wages holds promise. The inconclusiveness of his study may be due to an overly simplified methodology. A multiple correlation approach that used data for a longer time period, that took each of the 84 labor markets as individual observations, and that analyzed other independent variables besides the level and the percentage change in unemployment might produce some interesting results.

Instead of establishing artificial breakpoints (for example, above average unemployment versus below average unemployment) it would be better to relate the data in a continuous correlation. Moreover, a multiple correlation analysis seems necessary. The Phillips model views both the level and rate of change in unemployment as simultaneously important. Taken individually, as Mr. Ross did, these variables may not predict but taken together they might discriminate.

By keeping each of the individual labor markets as separate ob-

servations, relationships might be observed which become lost in the aggregate analysis. Mr. Ross mentions the Flint labor market where wages increased by over 15 per cent in the face of an unemployment rate of over 10 per cent. Is this result explained by the extent of union coverage or by industry concentration? As part of a more elaborate analysis, variables such as these could be introduced in hopes that they would explain the contrasting behavior of different labor markets.

By including a longer period, a time series analysis covering several business cycles could be conducted for each of the 84 labor markets. In performing this longitudinal study the importance of the lag factor, K , could be analyzed. Phillips observed that wage movements lagged unemployment changes by seven months² and Creamer, by nine months.³ Considerable literature has developed about the existence of wage rigidity. Any analysis seeking to relate the movement of wage rates to unemployment needs to take this into account.

WORKER QUALITY AND WAGE DISPERSION

Professor Evans has tackled the important though difficult and elusive task of developing objective measures of worker quality and then assessing the extent to which quality differences account for labor market behavior.

The inability of the quality measures to explain interfirm differentials may be due to the fact that in the sample chosen there was little to explain. The failure of certain companies to participate and the exclusion of certain small companies by the author limited the spread of wages in the sample.

As now constituted (with 175 observations from several large firms) the study is primarily an analysis of internal company salary policies. If this is the objective, then it might be preferable to conduct several intensive case studies which examine hiring-promotion criteria and progression patterns. On the other hand, if the objective is to analyze interfirm differentials, then more interfirm data are necessary, particularly from those occupying the lower end of the community structure.

² A. W. Phillips, "The Relation Between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861-1957," *Economica* (November 1958), p. 297.

³ Daniel Creamer, *Behavior of Wage Rates During Business Cycles* (Occasional Paper 34, National Bureau of Economic Research, 1950), p. 1.

Again, I would like to suggest the usefulness of a more elaborate analysis—such an analysis would examine the influence of weekly earnings and fringe benefits as well as the role of firm size, industry characteristics, and spatial distance from the Hub (“Jordan Marsh hypothesis”). Another variable which should be included is the knowledge of alternate opportunities. The refusal of the low paying firms to participate in the study attests to the importance of this variable. Perhaps, a sample of clerical workers could be interviewed and their knowledge about labor market opportunities measured.

These three papers represent important steps and also dramatize the amount of unfinished business remaining in our attempt to comprehend labor market behavior. At this point the research mandate calls for many careful studies of the plethora of conjectures that exist in the literature.

Part VIII

**SOME MANAGEMENT POLICIES
AND THEIR MEANING
FOR TODAY**

AUTOMATION AND THE FUTURE

NICHOLAS KELLEY

Attorney, Kelley, Drye, Newhall and Maginnes

I begin discussing automation by saying that I believe men and women to be everything. Automation is the great blessing of men and women because it makes them more valuable. It is a Fairy Grandmother to them. By its help they get good things they never could have had without it. They receive employment that only is possible because the employers have machinery with which employees can work. By hand they could not turn out enough in an hour or a day to earn the going rates of wages.

The word automation has not appeared in the dictionaries that have been at hand for me to look into. I believe that most of those who use the word, if they have considered it with any care, think of automation as the extreme case of manufacturing products in large amounts using specialized machinery for making the pieces and then putting the pieces together. This way of making things requires that the manufacturer design in advance the product and every individual piece that goes into it and then determine in advance what material is to go into each piece and what machine each piece is to go to in its forming and shaping and finishing. He must then place the machines in his plant in a logical order so that the various pieces are finished in places from which he can conveniently move them to the next machine or process that they must go through and later to the place of assembly.

A large automobile plant and a large textile plant probably are as good examples as any. Modern manufacturing plants tend to be only one story high and to be laid out so that the material is progressing forward and not backward and forward, and is moved as little as possible. This is because the cost of moving material is high.

The more I have thought on the subject of automation, the clearer I become that automation has a more generalized meaning. This meaning I would state as follows: the efforts of men and women to adapt the materials and forces of nature to making their lives more convenient and agreeable. Probably the possession that

most individuals in our country enjoy most is an automobile. Up to the recent past what they most cared for probably was a house to live in, but nowadays I believe Americans prefer paying rent for living quarters and making their big investment in a car. I believe it is fair to say that most of them think of a car as the outstanding product of automation. On the other hand, it is so popular because it automatically and so conveniently takes us where we wish to go, being itself a most remarkable automatic machine.

If you read the Bible and the stories of the Greek gods and heroes you will notice that the men and women and the gods and goddesses wore woven clothing. Weaving is a prehistoric craft and looms must have been one of the earliest forms of machines. I leave to you to consider whether from the point of view of mankind you would include a beehive as an instrument of automation or yeasts or the ferments for making wine or cheese. I suppose we would have no difficulty in including the churn. If you will accept this manner of thinking you will see that automation goes back a very long way. If then you will think of water running in pipes in houses and elevators operating automatically in tall buildings and electric lights making things visible in darkness wherever it may be and airplanes traversing all lands and seas, it seems reasonable to conclude that automation will be with us probably at an accelerating pace as long as we can see into the future, unless indeed we use the miracle of automation itself to destroy each other in war.

Meantime, in this room most of us have on our persons, buttons and button holes, hooks and eyes, zippers or other fasteners, watches, pencils, fountain pens, knives or other cutters, cigaret cases, mechanical lighters, glass lenses, notebooks, and some of us even very small pocket cameras. With our hats and coats we may have left umbrellas in the coat room. I would guess that for most of this audience typewriting machines and telephones are indispensable to their livelihood.

As we look back upon automation and especially in the more recent years, we see that it has been costly in human life. The lives that we have taken in our use of automobiles compare with the numbers lost in our wars. But driving cars is not the only way we kill people or injure them through automation. At one time in the

Second War various cities installed powerful sirens to warn against attack from the air. I remember a case in which one of these powerful monsters sounded with such force that the vibration killed at least one workman standing on the same roof and knocked other men off ladders and injured others. In large mechanical plants it takes a great deal of effort and trouble to see to it that the work people wear the protective shoes, glasses and other equipment that employers furnish them. In spite of all efforts even experienced employees remove safety devices and put their hands into machinery where they ought not to do it. The same things happen on farms, where nowadays there is a great deal of machinery. I remember a rather amusing instance on my own farm in the days when I had it. The men were making ready to fill a silo and a tipsy passing observer went into it and lay down. Luckily somebody saw him in time. If he had been covered with ensilage his whereabouts would have been a mystery until months later when that silo would have been emptied.

Both in industry and on farms, new tools, machines, substances and processes come into use without anybody's having heard of possible bad effects. I remember seeing the arms of a man in a large automobile plant covered with a very bad rash from having got lubricating oil on them. Nobody at the time had any knowledge that the oil might have that effect. So also with dusts, fumes and other unexpected or forgotten substances resulting from the industrial processes. They appear first and then as untoward consequences come to light, methods of dealing with them develop.

It is clear that the rapidly advancing automation of our time has owed much to modern scientific education and that for the future we must develop and apply education on one hand to civilize and make safe our use of the automation that we already have, and on the other to keep expanding it.

All children in High School ought to receive thorough training in taking good care of an automobile, and in driving one.

I believe that the Federal Government ought to set minimum standards of education for the whole country and not allow backward States and local governments to fall below those standards. Perhaps it might accomplish this by assisting financially those that meet the standards and holding back the assistance from those that do not. I have noticed both in town and in the country that there are youngsters that manage somehow to escape going to school at

all. This neither they nor our society can afford. All of us ought to take trouble to remedy it, when we come upon it.

Machinery, especially large machinery, frightens employees to whom it is new. I noticed on my farm, on which I had much of it, that the men were glad of the convenience of it, but that when it was new few had a good sense of how to use it correctly, how to keep it up, and how to repair it. For a time at the request of a friend I had on the farm among other help two young Frenchmen from a good agricultural school in France. They found my machinery frightening and told me that most French farmers are afraid of machinery, although I have seen a good deal of it on French farms.

When Chrysler undertook to build military tanks for the Government in the Second War it had to install much new machinery that was far larger than that used for making automobiles. There again not only the men of the rank and file, but also their supervisors expressed fear of it before they grew used to it.

But not only machinery can be dangerous. Men, women and children can be highly so. When I was a small boy in Chicago in the 1890's and my mother was the first Chief Factory Inspector of Illinois, clothing for men, women and children for the best department stores in Chicago was put out for finishing in the dwellings of the workers in the slums about Hull House, the social settlement that Miss Jane Addams founded and then was head of. At one time there was a serious epidemic of diphtheria and at another of small pox in the neighborhood. My mother found that members of the families were working on these garments right beside the beds of those who were sick. She marched in and confiscated the garments and had them burned. This remnant of home industry was the antithesis of automation. Obtaining laws to end it was not easy. But with the development of electricity and small motors home industry becomes a possibility again, although we may all hope that reviving it never again becomes possible.

In our time, managing has emerged as an important and perhaps the important subject in conducting affairs. Automation is an instrument of management and at the present time one rapidly growing in importance. Management of an enterprise must determine in any instance the degree of automation available and advisable to apply.

I conclude that the future of automation is an ever growing one and that as far as we can see into the future automation will increase and will not contract except to the degree that new inventions will achieve the desired ends by smaller and smaller automatic means.

As on one hand unions push wages of employees up, and as the laws penalize employers for lay-offs by imposing higher rates of unemployed insurance on employers who are irregular in keeping their employees at work, the greater will be the incentive of the employers to change their designs so as no longer to require at all the employees for whom they had work only irregularly (called "designing around them") or to find machinery to do the work and thus for good and all to transfer the employees to other work or even to let them go entirely. Machinery is expensive, and the employees who keep it in order receive wages higher than those who merely feed in material. Dropping the former machine operators and substituting more automatic equipment is an expensive business involving increased investment of capital and the higher wages of those who must keep the new automatic machinery in order and going. Although the end result is economy, having to go through the change is inconvenient and does not make for good feeling.

The greatness of scale of producing by automation requires the best of management, large financing, and above all, very fine selling. At present the automobile industry sells through dealers who are independent of the manufacturer except through a contract. Many of the time honored practices are coming to be questioned under the anti-trust laws. The great life insurance companies have been selling their policies through their own agencies. I believe that some form of this is something that the great manufacturers who make an enormous annual output are very likely to have to come to.

Manufacturing on the enormous scale that results from automation has on the whole been highly profitable and has resulted in raising rapidly the standard of living of the employees, the amount of funds the citizens have to invest and the taxes that the Federal Government receives.

Managing in a competitive economy large concerns with thousands of employees who are organized in unions is difficult and exhausting. This means finding and bringing together the men and women from top to bottom who see to it that everything that the

concern needs to do is done and done well and promptly. The men with the imagination, understanding, humanity and integrity, as well as the nervous energy and brute strength to do it, are rare and not too easy to find and harder still to engage. Without them the enterprises do not continue to flourish and grow.

I turn finally to the inevitable public regulating of automation.

As western history has unfolded over the long swings of time and circumstance through the period of Greek genius and enlightenment, into the Roman Empire with its law, and its gift of organizing and bringing order, on into the break-up of the Empire, the period of feudalism, and then into the modern times and the development of nations, certain truths have emerged of which one has been that groups or classes, or even individuals, who acquire the duty of protecting certain classes or individuals turn the duty of protecting into a right over those they protect. Good historians believe that the feudal system developed out of the duties of certain monasteries to protect neighboring landholders and peasants against lawless barons. We have seen analogies among police in our own day and among trade unions that at one time or another have abused their positions and duties as protectors to obtain benefits for themselves.

In our country one of the means of government and administration that has developed the best and has been most honest has been the civil service. It may well be that so far as concerns proper regulating of such powerful private instruments as the use of automation by private enterprise the permanent civil service may be the best instrument. In any event, I return to reaffirm my belief that automation will be with us long and beneficially. The wealth that it produces will pay for many other much needed activities that will absorb the labor of those that increasing automation may displace. Let us not forget that in the last fifty years automation has taken 6,000,000 working farmers, their working relatives, and paid help, off our farms and that we still have food to give away to help the starving in other countries.

HANDLING GRIEVANCES IN A NON-UNION PLANT

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The Corporations in America today are overwhelmed with printed procedures. Every conceivable corporate function is detailed by procedure Manuals. There are procedures for requisitioning materials and manpower; procedure for vendor-relations and equipment maintenance; procedure for marketing tests and dispensing of badges. There are even procedures for drawing up procedures. In this vast range of procedures the area of industrial relations is prominently covered. Personnel Departments proudly exhibit the thick manuals bulging with procedures that cover such mundane activities as reporting in, punching out, going to lunch, taking a break, claiming damage to a pair of pants, calling in sick, requesting a leave, joining the bowling team—even quitting a job.

The obsession to draw up procedures for every contingency is not confined to large companies. Small businesses and even the corner retail shop has gone procedure-happy.

In the midst of this abundance of procedures, there is one which stands out by its conspicuous absence—a written procedure for handling grievances for unorganized employees. In a survey published by INDUSTRIAL RELATIONS NEWS late last month, it was established that of 171 companies polled, 27% have no grievance procedure whatsoever for nonunionized employees. Another 40% of the companies vaguely refer to an *informal* grievance policy, one in which the employee's right or means of voicing grievances has never been defined. This means that non-union employees in 67% of the companies polled have no idea how to voice a grievance. Indeed, they probably have no precise idea as to whether they even have the *right* to voice a grievance. Nine (9%) per cent of the companies surveyed were non-responsive or non-committal. In only a mere 24% of the companies polled had this right, and the means for exercising it, been established through a formal grievance procedure.

There are approximately 50 million employees who are unorganized, three times the number of the total union membership in

this country. Is this the forgotten majority? It hardly seems possible that companies with written procedures for such picayune matters as replacing electric bulbs could neglect such a vast, human **area** as employee grievances for such a large number of people. And yet this is precisely what has happened. Is this an accident?

It seems to me that there are five possible reasons why **managements** have chosen so widely to ignore the grievance procedure. The first may be a belief on the part of management that the worker of today is more self-reliant and articulate than his predecessor of a generation ago. "Hence," companies may reason, "he can handle his grievance without a formal procedure—that is why we have an open door policy."

Then second, Management believes that it has become more enlightened over the past three decades. Perhaps it recognizes today that circumstances which led to industrial strife and unionization and labor legislation existed only twenty or thirty years ago. Management promulgated endless programs of human relations. Relying on these premises management feels that grievance-provoking situations have been erased, and if they do arise its supervision is equipped to resolve them.

A third reason may be a belief that the unions have seen their day and that organizing of the unorganized no longer presents a real threat. "Hence," Management may reason, "why provide a grievance procedure, when there is no need for it?"

Fourth is a reason of fear that the grievance procedure provides a ready vehicle for unionization. "It may," reasons the company, "even inspire grievances. It deposits in the mind of the employee and emphasizes the notion that grievance against the company is a way of life."

The fifth attitude stems from the old principle of sovereignty "the King can do no wrong." "After all," says the company, "we know what is good for our employees. We are fair and reasonable and our employees rely on our sense of corporate justice."

Each of these five attitudes has an air of plausibility. After all, reasonable men in companies throughout the country are acting upon them.

That employees today are more articulate and self-confident than workers of the past is, while a subjective view, a sustainable one. It is a fact that the average worker today is better educated than

any of his predecessors. Too, he has not been victimized by economic uncertainties such as those which characterized the era of the great depression. Therefore, he may feel more secure, both psychologically and in terms of employment.

The view that unions have had their day is one that has gained wide currency. Just three months ago, *Dun's Review* published results of a survey of 267 leading company presidents. The *Dun & Bradstreet* magazine reported that two-thirds of the corporation presidents concluded that the growth of unions has reached its peak. If corporation presidents can overwhelmingly accept this point of view, it is understandable why the pressure to institute a grievance procedure is admittedly reduced.

There is no doubt that management has grown more enlightened over the past three decades. There is scarcely a company anywhere that is so near-sighted as to revive the outmoded practices of the 1930's which generated the great waves of unionization that washed over the auto, steel, and other basic industries.

The objection that formalized grievance procedure will establish a convenient *modus operandi* for a union organizing effort does not appear to be valid. A procedure for fire prevention or plant security does not stimulate arson or thievery. Paradoxically, unions are equally vocal on this point by claiming that an installation of a grievance procedure in an unorganized unit is ipso-facto a management scheme to frustrate unionization. This union rationale finds some agreement among management representatives. Woodrow J. Sandler, Esq. in addressing himself to hospital administrators wrote: "It is now clear," said Sandler, "that one prime essential of the unorganized hospital is the establishment of some form of grievance procedure. This provides a healthy safety valve for employee 'gripes' and helps build a good relationship between management and its working force—Some hospitals question the basic premise that such a system be installed at all. They fear that by doing so they will "stir things up." Experience has proven that this objection has little validity. The grievances exist regardless of whether or not there is an outlet which encourages them to be aired. If no such safety valve is provided, they will smolder, grow and ultimately the employees will find a sympathetic ear outside the hospital. This is why union officials often say they do not 'create trouble'—they find it." ¹

¹ *Hospital Forum* Vol. 27 No. 5, June 1959.

This observation, which applies not only to Hospitals but to industrial organizations as well, drives to the heart of this thesis—that the establishment of a formal grievance procedure acts as an exhaust for a plant's pent-up climate and provides an employee with a listening ear inside the company.

At the same time we must be mindful of the fact that the industrial complex is going through a radical transformation. Likewise, the composition of the industrial work force.

There has been an astonishing growth in the number of elderly workers; a substantial decline in the number of production workers in mass production industries; and a swelling in the ranks of the white collar and technical ranks. Indeed, within the past decade white collar employees actually outnumbered those in blue collars in a number of plants. These trends suggest that the cyclorama of the management-labor relations scene is shifting.

The most obvious change is the shrinking in the number of unionized workers. Figures of the Bureau of Labor Statistics reveal total union membership dwindled from a high of 18.5 million in 1956 to 18 million in 1958. Since 1958, according to *U.S. News and World Report* (November 27, 1961) there was a further drop of 350,000 members in the union enrollment. This means that the professional industrial relations and personnel men are spending proportionately more time with non-unionized workers today than they did in the past.

When the industrial revolution visited America it sowed its own seeds of conflict and workmens' grievances were many and severe. Channels of protest were hardly known. The right to grieve was verboten. The right to quit was the grievance procedure of the day.

The symptoms of today indicate that we are living in an era of an industrial transition—if not a revolution. The clerical functions are undergoing sweeping changes. Computers and electronic equipment are automating office methods, and office operations are beginning to resemble the mechanized processes of a plant. Predictions were made that when automation invades the precincts of the office, the white collar employees will join unions in droves. But no such stampede is taking place. Even when a union aimed an organizational drive at clerical workers at Allis-Chalmers, when the company reduced the wages of non-union salaried employees in October of this year, it met with a set-back. Though smarting from

the pay cut the salaried workers at the Pittsburgh plant of the company rejected the union in a representation election. Is this another symptom that unions have reached their saturation point and that there is a large block of non-unionized employees who do not look to unionization as a road to their aspirations?

In a study released by the Center for the Study of Democratic Institutions in November of this year, Solomon Barkin, research director for the Textile Workers Union, noted that "the image of unions as the social conscience of the community has been considerably dimmed." Besides, the changing occupational patterns due to automation are introducing a new type of employee on the factory floor—the technologist. By inclination and background the technologist finds a closer community of interest with that of the while-collar salaried employee than with that of the unionized plant production worker. This growing group of non-unionized work staffs have and will have grievances. And grievances are subjective in character.

We all know the story of the princess who slept on top of 24 mattresses. Underneath this pile, someone had sadistically placed a small pea. Asked the next day how she had slept, the royal guest admitted she had tossed and turned the whole night because of the prodding irritation. Another guest, of non-royal heritage and with less sensitive skin, might conceivably have slept quite comfortably on but one mattress, though it harbored a brick. Irritations, which cause grievances, are relative. Even in the days of the sweat shops there were those who could tolerate the evil conditions of the era. But while the wrongs of sweat shop days, as well as a large segment of the generation who lived through them, are no longer with us—new irritations will always arise. The worker's troubles may be minor by comparison with those his father endured thirty years ago, but the irritating pea can loom quite large to him as a source of annoyance. Particularly if the irritation arises out of the worker's relation with his supervisor.

Dr. Douglas McGregor of the Massachusetts Institute of Technology recognized this problem back in 1944 when he stated: "There are occasions when subordinates differ radically but sincerely with their supervisors on important questions. Unless the superior follows an 'appeasement' policy (which in the end will cost him his subordinates' respect) there exists in such disagreement the possibility

of an exaggerated feeling of dependence and helplessness in the minds of the subordinates. They disagree for reasons which seem to *them* sound—yet they must defer to the judgment of one person whom they know to be fallible.

"If these conditions are too frequent, the subordinates will be blocked in their search for independence and they may readily revert to a reactive struggle. The way out of this dilemma is to provide a subordinate with a mechanism for appealing his superior's decisions to a higher level of the organization. The subordinate can then have at hand a check upon the correctness and fairness of his superior's actions."²

Dr. McGregor establishes the principle of appeal. The vast majority of union contracts grant the worker the right of appeal.

Union contracts provide for appeal in two stages:

1. A number of grievance hearings in several steps and if not satisfactorily concluded,
2. An arbitration proceeding to resolve the grievance.

Most union contracts define a grievance as "any dispute arising under terms of the contract." What should the definition of a grievance be as it relates to a non-union worker? In September 1950, the National Industrial Conference Board considered this very question in a survey of grievance policies in non-union companies. Of the 57 corporations that participated in the survey, the NICB reported: "Several companies—limit grievances to misinterpretations or misapplications of their written manual of personnel policies. These companies say that it is better not to set up a grievance procedure until all policies are committed to writing and publicized. Otherwise, the employee will not know whether he has a legitimate complaint."

This view makes sense. In effect it defines a grievance as "a dispute arising from misapplication or misinterpretation of the company policies."

Having established what constitutes a grievance we must answer two important questions:

1. Should a grievance procedure be installed on a formal or informal basis?
2. Who has the final word in adjudicating a grievance?

² *Journal of Consulting Psychology* Volume 8, No. 2 (1944), pp. 55-63.

The survey of the National Industrial Conference Board, mentioned above, reported that 22 respondent companies favored oral submissions of grievances for the following reasons:

1. "Workers would feel put out if asked to write out their grievances;"
2. "Some workers cannot express themselves on paper and would drop their grievance rather than write;"
3. "The few grievances handled each week do not warrant the expense of printing and distributing forms;" and
4. "Written grievances are cold and impersonal; workers prefer to be treated as individuals rather than names on a standardized form."

This stress on informality in handling workers' gripes could remind us of the Army sick call. In the pre-union days in the Steel Mills workers queued up on Saturdays after work before the Plant Manager's office to tell the Boss their complaints. This system is still in effect at some companies to this day. There may be a variation. Instead of a rough hewn Plant Manager of the old steel mill days, a Personnel Director with a college degree plays the role of the Dispenser of Justice.

Perhaps a grievance should be presented orally at its first step without recourse to formality. Let the grievant state his case to his immediate supervisor. It is possible that the supervisor can satisfactorily resolve a job-connected problem at its first instance. At least, by voicing his dissent to his supervisor, the worker does not breach the protocol of corporate channels of command. The supervisor should be "tied-in" as soon as a grievance is inaugurated.

However, if the grievance must be processed beyond the first step, it should be reduced to writing. At this point, the danger of creating a mountain from a molehill is minimized. If the case must go beyond the first step, it may have merit. Some 35 companies, says the NICB, gave the following justifications for requiring written processing of grievances:

1. "Management can study and evaluate the grievance without the worker being required to make a personal appearance at each step."
2. "Written grievances prevent the facts of the case from becoming misinterpreted or altered during processing."
3. "Written grievances provide a permanent record."

4. "In appealing his grievance to higher authorities, the worker may find it less embarrassing to use the written form than to carry his complaint personally to the front office."

Why can't we incorporate both philosophies concerning the technique of handling grievances?

We could introduce the informal touch, advocated by some companies at its first step and reduce the grievance to a written instrument in its subsequent stages, as urged by those who believe in a more formal treatment. In many respects this method is a replica of the procedure provided for in numerous union agreements.

Now we must answer the thorniest question of them all. What should be the final step in the grievance procedure? Isn't it true that an employee with a burning grievance on his mind will ask "Does the Employer have the final word?"

In 90% of union contracts the final word is rendered by an impartial agency. Is this a reasonable terminal step for the non-union plant?

According to the survey by the *Industrial Relations News* (November, 1961) arbitration for the non-union grievance is extremely rare. Only 8% of the companies surveyed utilize arbitration as the ultimate finale of a grievance.

Management can argue that submission of a grievance to a neutral is a surrender of its management rights to interpret its own policies as they relate to non-union personnel. Yet, management has surrendered the same prerogatives in numerous union contracts. Our government established a Court of Claims and provided other juridical forums whereby a citizen can sue the State itself. The United Automobile Workers constituted a Public Review Board in April of 1957 to adjudicate grievances and complaints raised by its members against their own union.

Self-imposed limitation by management of its rights should not be viewed as an admission of inability to manage. Rather, it should be recognized as an expression by management of its sincerity of purpose and a guarantee to its employees of a square deal.

It is suggested that now is the time for management to step forward, while not under compulsion, and voluntarily declare a Magna Carta for its non-union people. A Board of Neutrals, whose function shall be the final disposition of non-union employee grievances, should be set up. Companies with large numbers of non-union

workers could organize their own Board of Neutrals. Companies with smaller non-union groups could pool their support and finance a Board of Neutrals which could serve them on a cooperative basis in their respective areas. The composition of the Board of Neutrals might vary, with deference to local conditions, from community to community but the guiding principle should be unwavering: The selection of unquestionably impartial citizens who are widely respected in the community.

Besides the objections to this plan already mentioned, there is one other which requires explanation: "the problem of indiscriminate use of the arbitration procedures by litigious 'hot bloods'."

To forestall such a possibility, any worker desiring to process his grievance to arbitration would be required to pay a fee based on his earnings in order to place his case on the calendar. Not a fee that would discourage arbitration—but simply one that would establish an interest in the outcome. No worker should institute an arbitration with the attitude "I have nothing to lose." However, no worker should be required to pay for representation. The Board of Neutrals will appoint a "public defender" from a panel. But if the employee rejects the appointed attorney he could select his own counsel at his own expense.

The proposed plan may be no panacea. But there are good reasons to believe that it would create a more reassuring climate of corporate justice for the forgotten majority of our working population.

THE AMERICAN MOTORS-UAW PROGRESS SHARING AGREEMENT

EDWARD L. CUSHMAN
American Motors Corporation

The chronology of collective bargaining in this year's automobile negotiations is so well-known to this audience, I am sure, that there is no point in reviewing again the sequence of events. I have commented on this subject in other talks, and I will be happy to make my remarks available to those who are interested.

Likewise, the broad outlines of this year's automotive settlements have been widely publicized. The detailed changes in wages and the various benefit programs are available from the agreements themselves.

It is hardly necessary to reiterate these, except to note the essential difference between the American Motors-UAW settlement and the settlements of other major passenger car producers and the UAW. I refer, of course, to the profit sharing or, as we prefer to call it, the progress sharing plan which we negotiated with the UAW. I assume that the high degree of interest that has been apparent in this plan is, in part, responsible for my part in today's program.

So my remarks will be devoted in part to our Progress Sharing Plan, including some of the details of how it will function. I will, however, discuss the plan within the broader framework of our national collective bargaining agreement. In turn, I will try to relate some of the concepts of that agreement to current trends and problem areas in collective bargaining.

It has become quite commonplace to talk of the "crisis" in collective bargaining. In a recent speech on industrial relations, R. Heath Larry of U. S. Steel said the picture "includes a shabby image of collective bargaining standing in sorry posture before the court of public opinion—on trial—indicted of many charges."¹

Practically no aspect of labor-management relationships has escaped criticism in this period of widespread doubt in the efficacy of the institution of collective bargaining. Secretary of Labor Goldberg has deplored the retrogression in attitudes of labor and management

¹ Before the Texas Personnel and Management Association, October 26, 1961.

toward each other.² Walter Reuther recently castigated several of his fellow union leaders over their myopic concern with jurisdictional problems. He, in turn, was labelled by them as management's man-of-the-year³—an appellation which in itself reveals something of the state of labor-management relations.

I could extend the list *ad infinitum*, but I think the point is clear. There is a wave of dissatisfaction with the processes and results of collective bargaining.

The reality of this criticism is apparent in the action of President Kennedy when he established a tripartite committee to advise him on "policies that may be followed by labor, management, or the public which will promote free and responsible collective bargaining, industrial peace, sound wage and price policies, higher standards of living, and increased productivity."

Interestingly enough, most of the doubts about collective bargaining involve the question of whether or not the *public* interest is adequately protected by the present bargaining processes. The reservations expressed fall into three major groups. First is the fear that the substance of collective bargaining—the issues involved—has become so complex that it exceeds the resources of the parties. Sometimes it is argued that the issues involve questions of public policy which cannot, or should not, be determined by private groups.

A second series of criticisms revolves around the fear of a repetition of the 1959 steel strike. There is a feeling that an industry-wide strike in a major industry is too heavy a price for society to pay for the maintenance of free collective bargaining. Secretary of Labor Goldberg commented, early in the negotiations, "that we cannot, from the standpoint of our domestic economy, and from the standpoint of our position in world affairs, have a shutdown in the automobile industry this year."⁴ This did not go unnoticed by the company and union negotiators.

The third category of criticism is, in a sense, the direct opposite of the second. It is the fear that collective bargaining, operating many times in monopolistic or oligopolistic markets, will give new impetus to inflation, to the wage-price spiral.

Undoubtedly, I have been guilty of over-simplification in struc-

² See, for example, "An Interview with Secretary of Labor Arthur J. Goldberg," *U.S. News and World Report* (February 27, 1961).

³ *The Detroit News*, November 30, 1961, p. 13B.

⁴ Speech before the Economic Club of Detroit, May 29, 1961.

turing the problems. But a more thorough analysis would only develop more clearly, in my opinion, that the basic issue of collective bargaining today is the control of economic power in private hands.

On many occasions I have expressed my belief that the correct solution to this problem is the dispersal of power by the division of the large power centers of labor and management.

It seems clear, however, that the more probable course of action, if any, will be some form of social control over the exercise of that power. I do not know the precise form that social control will take, whether it will be neutral party participation in bargaining, a government price review board or out-and-out wage-price controls.

The precise form is relatively unimportant, in my judgment, because adoption of the principle of direct public intervention into collective bargaining will have serious effects upon our whole economic system. Again to quote Heath Larry, we have "a duty not to be experimenting with how close we can come to the imposition of external controls without actually having a state-controlled society. Rather we should be exhausting every possible avenue in the opposite direction."⁵

Both management and labor have a tremendous responsibility in this connection. Only to the extent that they separately and jointly meet society's needs can they expect to receive the approbation of that society.

Much of the criticism that collective bargaining has engendered, in my opinion, is related importantly to the state of the art, to the practices followed, to the attitudes expressed and implied on both sides of the bargaining table.

Let me at this point make direct reference to the American Motors-UAW agreement. I do so in an attempt to explain some of the philosophy behind it as related to the problems I have enumerated.

What American Motors is trying to do in the field of union-management relations is part of an over-all approach. The role of the company in our society is based first of all upon fundamental principles and philosophies, which stem from sound religious convictions. Based on human dignity and the individual, there is a recognition that a corporation is a group effort. One in which each individual, with different aspirations and needs and backgrounds, has to be linked together in a common effort to attain the corporation's goals.

⁵ *Op. cit.*

That is why we said in our bargaining, that the objective of our collective bargaining was to arrive at an agreement which advances corporate success and increases employee job satisfaction.

These two objectives are not necessarily in conflict and, in fact, sound programs will recognize the differences in the objectives as well as the essentiality of the community of interest between them.

In the field of union-management relations it can be said that there are three stages of development. America for the most part is still in Stage One and that is the stage of union organization and of relationships between unions and corporations based fundamentally on power. The attitude of the leadership of both institutions tends to be one of competition, lack of understanding of the role of each institution, lack of clearly enunciated and known objectives. There are, therefore, inadequacies in the techniques for developing higher degrees of cooperation. This might be called the period of power-conflict in competition.

The second stage is one that can be characterized as an armed truce relationship, or a policy of accommodation. This is the period during which the union and the company have learned how to work together to some degree but continue to place their reliance on power. It has been called, by some, a period of containment from a management point of view. The corporation tries to prevent the union from expanding the areas in which the union has already made inroads in managerial freedom.

The third stage is a period of union-management cooperation where organized cooperation replaces organized competition. This period is characterized by less reliance on power and greater reliance on fundamental agreements about the nature of the problems confronting both institutions, the needs of both institutions. With it comes greater acceptance of techniques and programs designed to deal with both institutional problems and those of employees as individuals as well as all other economic elements associated with the company.

It would be a mistake to say that the classifications are clearly identifiable and that individual situations fall precisely into them. A union-management relationship predominantly in the first category, based upon power and competition, may have within it certain elements of cooperation or of accommodation. The same can be said about relationships of a given corporation and union which might

predominantly be classified in the second category. Unfortunately, there rise to mind virtually no situations which are clearly in the third classification.

What American Motors has tried to do this year in its bargaining was to move its relationship with the UAW from one that might be classified more nearly perhaps in Group Two, in the direction of Group Three. In order to achieve the kinds of cooperation visualized or contemplated in the third category the new frontier of union-management relations—in which American Motors may be in the vanguard, the leadership of the corporation and the union must understand and share a fundamental philosophy to a considerable degree. In addition, the leadership of both institutions, at all levels, must be equipped by training and knowledge with skills required to carry out their assignments in the light of that philosophy. It may very well be that the leadership of American Motors and of the UAW, which have demonstrated a considerable degree of mutual understanding with respect to this area, are too far removed from the lower echelons of leadership in both institutions.

Not only must leadership have the necessary understanding, but adequate techniques for implementing that understanding are essential. Fortunately, leadership of both institutions is committed to developing new programs and more effective training of the key participants in both the company and the union structure.

The American Motors-UAW agreement was designed to provide a foundation for the improved relationships contemplated by the company and the union leadership. The so-called management rights clause is a clear expression of the recognition by the union of the necessary managerial functions and by the company of the necessary union functions.

However, the delineation of the rights of the parties is prefaced by a paragraph which emphasizes their responsibilities to the public. It reads as follows:

“The parties to this agreement recognize that they are engaged in a common endeavor in which each of them has separate and distinct responsibilities which both of them are obligated to meet in a manner consistent with their mutual overriding responsibility to the community as a whole.”⁸

Our agreement created an American Motors-UAW Conference.

⁸ Article I(A).

This provides an avenue of communication, establishes a method for developing greater mutual understanding and a sounder basis for cooperative action.

Through periodic conferences, away from the stresses of the bargaining table, the leadership of the Company and the Union will be able to meet and discuss "their philosophies, needs and common responsibilities to the community."⁷ As examples of the kinds of problems to be considered are: community, education, recreation, housing, and health facilities.

The AM-UAW Conference is based on the assumption that the primary emphasis in problem discussion and solution should be on the relationship between the individual company and the union representing its employees. More meaningful progress can be made through this type of consultative mechanism than through a multi-employer structure, in my judgment. In this respect, our contract stands in sharp contrast to many of the proposals now being made with respect to such problems as automation, retraining, etc.⁸

We believe the Progress Sharing Plan stresses the need for cooperation between the parties as each seeks its own objectives through a common means. The success of the company is now very clearly related to the welfare of its employees.

Within this philosophy, the mechanics of the Progress Sharing Plan underscore the cooperative approach. A top-level committee of 6 (3 from the union, 3 from the company) is charged with the responsibility of implementing the plan. In the words of the agreement, "This Committee shall . . . do all things necessary and proper to cause this Progress Sharing Plan to function."⁹ Currently, the committee is meeting to resolve the details of the stock ownership part of the plan. As you probably know, one-third of the profit allocated to employees is paid in American Motors common stock.

Two-thirds of the employees' share of the annual profits is placed in a fund to be used primarily to finance increased benefit programs. Specifically, it is the source of the money for the increased pension, insurance and, to a limited extent, SUB benefits provided in our agreement. To the extent that profit sharing is inadequate for this

⁷ Article I(B).

⁸ See, for example, *Progress Report, Automation Committee*, Armour & Co. and the UPWA, AFL-CIO and the AMC & BWNA, AFL-CIO, June 19, 1961.

⁹ Exhibit D, Paragraph 7.

purpose, the wage increases due under the contract may be diverted or delayed.

Decisions relative to the allocation of funds within the benefit fund is a function of a twelve man committee (6 from each side).

I have listed specific mechanisms through which cooperation between the company and the union can manifest itself. There are others which I have not enumerated. Basic to the success of these efforts are the attitudes of the parties. This includes, of course, an adherence to the spirit as well as the language of our management rights clause which sets forth the areas of exclusive responsibility of each.

Perhaps the focal point of the criticism of collective bargaining concerns the determination of the general level of wages. The question is whether wage determination through the processes of collective bargaining has an inherent inflationary bias. This is not a new controversy, of course, but it has been given renewed importance by the changing international picture.

Economists have labored long to establish sound principles of wage determination and to implement these within the framework of bargaining. Neither endeavor has been particularly successful, in my judgment. I am reminded of a prefatory comment from a recent book on wage determination. It reads as follows:

"When an eminent economist was recently asked to evaluate the present state of wage theory, he replied by denying that there was any theory to evaluate."¹⁰

How effective has been the destruction of wage theory is revealed in the authors' comment on the application of their findings to the range of economic problems.

"It is interesting to speculate on what the implication for economic analysis as a whole would be if it should be discovered that the range of administrative discretion and the complexity of response patterns are as wide in other economic areas as we have found them to be in the field of wage determination."¹¹

I took a look at the last three Economic Reports of the President to see what guidance they provided. Each contains an identical admonition, namely, that wage improvements generally must be kept

¹⁰ George Taylor and Frank Pierson, eds., *New Concepts in Wage Determination* (New York: McGraw-Hill, 1957), p. vii.

¹¹ *Ibid.*, p. xii.

within the range of the economy's improvement in productivity.¹² I find the same criterion set forth by Mr. Heller in his public statements on the subject.¹³

Unfortunately, once we move away from this broad statement of principle, we find little of direct guidance to the negotiators in a particular bargaining situation. In a recent speech, Mr. Heller said that wages—including fringes—cannot be tied inflexibly to the productivity of the industry. Conversely, he said, that it does not follow from the wage-productivity principle that wages should be linked mechanically to the nation's productivity.¹⁴

I gather that Arthur Goldberg had much the same thought in mind, early in the year, when he emphasized the need for a plurality of sound wage policies in the country.¹⁵

One wage policy endorsed by Mr. Goldberg has been followed in the automobile industry since 1948. This is the concept of a yearly wage increase geared to the rate of increase in the nation's productivity coupled with an escalator clause which changes wages in line with changes in the cost-of-living.

On many occasions, I have expressed the belief that the two concepts involved here lead to inflationary wage settlements. This trend has been accelerated in each of the bargaining years as the costs of improving the various employee benefit programs are added to the formula.

As a matter of fact, pattern bargaining is one of the motivating reasons behind the approach that we took. Our company has made, as clearly as we know how over the years, our opposition to pattern bargaining, to industry-wide bargaining, or bargaining at any level of organization beyond that of the individual firm.

The reason for that, I think, is twofold—one, a question of philosophy and second, a question of actual practical experience. In terms of philosophy, we are deeply committed to the concept of a truly competitive free enterprise system. To the degree to which you depart from decisions based on the economic facts of the individual concern, you move away from the whole fundamental concept of competition at the level of that individual firm.

¹² *Economic Report of the President*: January, 1959, p. vi; January 1960, p. 8; January 1961, pp. 58-59.

¹³ "Prices, Wages and the Public Interest" before the Business Council, October 20, 1961, Walter Heller.

¹⁴ *Ibid.*

¹⁵ *Op. cit.*

Beyond that philosophic reason is the fact that where there is excessive concentration of power on one side, we don't believe the answer is through countervailing power—that is, the creation of a coalition of power on the other side to equal or exceed the original power concentration that creates the problem.

If you go down that road, almost inevitably you end up, if the negotiations break down, with the government intervening in some form, either to recommend decisions or to make decisions—first, about wages and the conditions of work. Then, because of the direct relationship between wages and prices, you end up with market decisions that are made by government. We believe, therefore, that the answer to problems of excessive concentration of power is to divide that excessive concentration—whether it is in unions, in corporations or in any other segment of society—rather than to attempt to control it by rule or by detailed regulation.

Perhaps this is a good place to repeat my suggestion that the scholars in American education devote more time to the whole question of the study of power and the matter of how it should be dealt with in our society; rather than talking about how you advance increasingly greater and more effective government activity or a third party participation in the resolution of disagreements between corporations and unions.

We believe that our new agreement is an important addition to the concepts of sound wage policy. Walter Reuther has called the “progress sharing . . . principle . . . the most significant thing we've done at the collective bargaining table in many, many years . . .”¹⁸ We, too, share that feeling.

In a basic industry, where the results of collective bargaining frequently become the pattern for other industries, I believe we have brought new emphasis to an old idea, that is, the resolution of collective bargaining problems on the basis of the facts of the individual company.

Our agreement was designed to deal with the economic facts of American Motors—the problems and opportunities that existed in our company for all of us associated with it.

The Progress Sharing Plan is, I believe, an effective implementation of the wage-productivity principle. We are convinced that the

¹⁸ Walter Reuther, *The Progress Sharing Agreement of American Motors and the UAW*, transcript of press conference, August 30, 1961.

agreement we have developed is a sound one in the interest of our **customers**, in the interest of our stockholders, and in the interest of our employees. The fact that it is a sound one from the standpoint of our customers is shown by the decisions that we have announced with respect to the pricing of our product for the coming year. These are, in effect, importantly made possible by the fact that under the agreement, our fixed-cost increases are limited essentially to the annual improvement factor and cost-of-living, with the increases in benefits being financed as variable costs from the Progress Sharing Fund and contingent upon financial results.

I will conclude by saying that I do not consider our Progress Sharing agreement a panacea for all the problems of union-management relations. Nor is it a substitute for other sound personnel policies. In fact, in some ways it increases the need for such policies.

If we are to obtain the increased cooperation that is possible under our agreement, it will be obtained within a sound personnel environment.

Obviously, our problems did not disappear when we signed the new agreement. I am hopeful that what we have called our "fresh new approach" to collective bargaining will strengthen our efforts to solve them.

DISCUSSION

CHARLES C. KILLINGSWORTH

Michigan State University

Mr. Kelley's interesting paper reached me when I was engaged in editing a symposium on automation which includes contributions by scientists, engineers, social scientists, and representatives of management, labor and government.¹ I found intriguing certain parallels, as well as certain differences, between Mr. Kelley's paper and some of the main lines of thought in this symposium.

Most students of automation use the term more narrowly than Mr. Kelley's paper does. It does not seem useful to regard automation as synonymous with all types of technological change. I think that there is a growing consensus that automation is an *aspect* of mechanization. Early mechanization emphasized the substitution of inanimate energy sources for human or animal muscle power. This early element in mechanization is still important, of course, but another element has become increasingly important. The newer element is the substitution of mechanical devices for human faculties *other* than muscle power. Thus, mechanical equivalents for human sensory organs have been invented. The "electric eye" provides an apt example.

This aspect of mechanization is not entirely new. Designers long ago learned how to build a kind of "memory" into a complicated machine so that it could "remember" all of the details of a complex operation; gears, cams and mechanical linkages of various kinds were used to achieve this end. Self-correcting or automatically controlled devices have a long history which includes the flyball governor for steam engines and the furnace thermostat. Mechanical calculating machines have also been in use for quite a long time. Since World War II, however, we have made remarkably rapid progress in the development of such mechanical substitutes for human faculties. Measuring and recording instruments have been made far more accurate and versatile. Scientists and engineers have developed a whole generation of control devices of great versatility and reliability. Perhaps most important of all is the rapid development of the electronic computer, which makes "lightning calculation" a realistic expression.

It is important to realize that we are probably at the early begin-

¹The reference is to "Automation," the March, 1962, issue of *The Annals of the American Academy of Political and Social Science*.

ning of the computer era. By the most conservative estimate that I have seen, about 5,000 electronic computers were put in use between 1954 and the end of 1961; today, there are about 7,000 firm orders for computers on the manufacturers' books. This means that in the next year or eighteen months about half again as many computers will be delivered as were delivered in the past eight years. And the most advanced computer of today is about a thousand times as fast as the fastest computers of only three years ago. Furthermore, we have devised ways of linking together measuring instruments, control devices and computers to provide completely self-regulating systems of great complexity—for example, completely automatic oil refining units and chemical plants. Finally, I want to mention the fact that several hundred scientists are at work in a field which they call "artificial intelligence." Some progress has been made; for example, it is now possible to program a computer so that it can learn from experience—to such a degree that it develops "knowledge" which is not within the ken of its programmer.

Developments like these have suggested to me the following definition of automation: it is the mechanization of sensory, thought and control processes.

The hardware and the techniques of automation are applicable in a remarkably broad range of activities. There are already important applications in such fields as accounting and record keeping, petroleum refining, steel rolling, airplane navigation, legal research, language translation, medical diagnosis, and many others. We have found that many kinds of decisions which up to now we have thought required human intelligence can be entrusted to machines, which perform them much faster and more accurately. I suggest that these developments are carrying us to the point where a fundamental change in the relationship between men and machines is in the offing.

We do not know yet what the nature of the new relationship will be, in part because we have not yet fully explored the capabilities of the new machines. One broad consequence of the new technology does seem to have emerged already, however. There is growing agreement that it substantially increases the need of society for people with high levels of skill and training and that it tends to reduce the job opportunities for people with little or no skill or training. In earlier years, millions of jobs could be learned in a few hours or a few days—jobs that required only flipping levers, pushing buttons,

feeding material into machines and carrying it away, reading gauges, hearing or giving signals, writing numbers in books, and so on. These are, in general, the jobs that are most readily automated. Not all of them have been automated as yet, and a great many of them probably never will be, but the number of these simple jobs certainly has not been increasing at the same rate as the number of unskilled and low-skilled workers looking for such jobs. Witness the great growth of white-collar employment in manufacturing in the past decade and the absolute decline in the number of blue-collar workers despite substantial increases in production.

What we have is a growing disparity between the skill structure of the demand for labor and the skill structure of the supply of labor. There is some evidence of this disparity already showing up in the aggregate statistics of unemployment, especially long-term and very-long-term unemployment. Last month (November, 1961), unskilled and semi-skilled workers constituted nearly half of the long-term unemployed, although these two groups are less than one-quarter of the labor force; professional and technical workers are 11 percent of the labor force, but they contributed only 2 percent of the long-term unemployed. The evidence is even clearer in the findings of a considerable number of case studies, not only in the United States but abroad.

It is all too easy to say that we need more training and retraining and strengthening of our educational system and then to let the matter rest. I want to go a little beyond that. I doubt that very many people have the slightest grasp of the magnitude of the effort that will be necessary to avoid the development of a large pool of permanently unemployed (and perhaps unemployable) workers in the United States. The few experiments that have been undertaken in retraining have encountered some formidable difficulties, especially deficiencies in the basic education of the candidates for retraining. Dr. Conant has recently pointed out that serious inadequacies in our educational program at the high school level are helping to pile up "social dynamite" in our large cities—numbers of unemployed school dropouts or poorly trained graduates.

It is fatuous to believe that this situation is self-correcting or that there is a simple, inexpensive solution. I thoroughly agree with Mr. Kelley's emphasis on the importance of federal aid to education; that will help, although more than money is needed. I also noted with

interest that the American Motors-UAW agreement which Ed Cushman has discussed here this morning has a provision for a "career planning program" as one aspect of "progress sharing." Companies and unions can help in this area, though they obviously cannot carry the whole burden. The most important thing right now, I think, is to get started with a considerable number of retraining programs. We will make some mistakes, but we will learn from them. We must also bring up to date the programs of many of our high schools. We must find out why enrollments in engineering colleges are declining. We cannot postpone much longer the day when we question sharply the current relevance of the content and the instructional methods used in a great many of our college courses. We must find ways to learn much more about the demand side of the labor market than we know today. This is a large agenda; even so, it is incomplete.

My emphasis here on the importance of improved labor market policy—principally more retraining and better education—to cope with the effects of automation is not intended to imply that measures to stimulate a more rapid rate of overall economic growth are of secondary importance. But the case for an economic growth policy is more frequently and more emphatically urged, I think, than the case for an improved labor market policy. In my opinion, these two aspects of policy currently are like the two blades of a pair of scissors—neither will be effective without the other.

CHARLES A. MYERS

Massachusetts Institute of Technology

Since there is no common theme to these three papers, it will be necessary to make some brief comments on each. Mr. Cushman's paper is an interesting exposition of the American Motors "Progress Sharing" agreement with the United Auto Workers, by one who has undoubtedly played a central role in its conception and subsequent refinement in the bargaining process. It is significant to note that he believes that this agreement moves the American Motors collective bargaining relationship from "armed truce" toward "union-management cooperation." While the American Motors Progress Sharing Plan is not exactly like the type of union-management cooperation found in the Scanlon Plan, for example, it is a significant innovation

in collective bargaining which will bear watching and further study.

Mr. Kelley uses a much broader definition of automation than most writers on this subject have used; and his examples are really illustrations of mass production rather than of automatic controls using servomechanisms in plants or of electronic data processing in offices. I agree that the future of automation is "an ever growing one" and that, like all capital improvements, it tends to make men "more valuable"—i.e., increase their productivity. But the paper seems to me to minimize the problems which growing automation will bring, both for the employees directly affected by the changes, and for the society as a whole. Much more attention will have to be given to private and public policies dealing with labor displacement, retraining, movement to labor shortage areas, vocational guidance for new workers, and aid to depressed areas or industries to facilitate needed readjustments. There may well be additional private and social costs of automation which are not now properly taken into account when technical changes are made. Perhaps Mr. Kelley has something of this sort in mind when he says that the effects of automation would have to be "regulated" by the "permanent civil service," but he does not develop this point further.

Finally, Mr. Ronner has addressed himself to a problem which should be of great concern (but apparently isn't) to managements which do not deal with unions in their plants and hence do not have a contractual grievance procedure. Apparently, the belief in the efficacy of the "open door" to the boss's office dies hard, since the survey cited by Mr. Ronner indicates that only one-fourth of the non-union companies had a written grievance procedure. Mr. Ronner's suggestions are worth considering, but they do point up the difficulty of providing an adequate substitute for a union grievance procedure. The inarticulate or hesitant employee gets no help from a steward or committeeman in presenting his grievance, there is no independent institution with a staff to take the case to the highest levels, and, failing settlement at the top, there is no assistance or financial support to the worker who seeks to take his grievance to arbitration. Some of the experience in the federal and state public service with well-developed grievance procedures in the absence of unions may be a better guide to managements which sincerely attempt to provide written grievance procedures without the assistance of a union. When all this is said, it must be added that what makes a unionized grievance

procedure work is the choice which two institutions (union and management) must make, at each level, to reach agreement or to take the case higher. There is no exactly comparable alternative in the absence of a union.

WILLIAM GOMBERG

University of Pennsylvania

The three papers which are in front of us treat three different aspects of managerial policies in the area of industrial relations. Mr. Kelley's paper deals with automation, Mr. Cushman's paper with the American Motors-UAW Progress Sharing Agreement that flows out of automation, and Mr. Ronner's paper in the handling of grievances in a non-union plant.

I am somewhat loathe to discuss the subject of automation. It has become the province of the semi-skilled intellectual seeking to "wow" lecture audiences on the "chicken and peas" circuit, who would rather socialize at a dinner than read or study.

I do not want to minimize it as a problem. I doubt that there is any solution for it within our existing wage distribution structure. I am inclined to believe with Gerard Piel, Editor of the *Scientific American*, that a great part of work performed today is a bid to participate in the fruits of production rather than a contribution to production. It is an interesting example of cultural lag. The problem is not acute enough to point up this aspect of a required solution and until it becomes more vivid and dramatic, we are not likely to abandon our puritan devotion to the nobility of work, necessary or unnecessary. I suspect that much of this training for new jobs is part of a program of "busy" work which will hardly solve our problem. I would not be surprised if our future education is like the program of the English Aristocracy of the 19th Century when young British gentlemen, whom it was understood would not soil their hands with work, were trained in the art of constructive leisure. It may very well be that we will be confronted with the obligation of assigning an income to a man who is born into the American culture on the basis of his mere existence.

Mr. Cushman's paper is something I find fascinating. The Progress Sharnig Agreement is obviously designed to tie the interests of

the UAW to the increasing prosperity of American Motors. But if American Motors' prosperity is built at the expense of its rivals in the automotive market, particularly Chrysler, what is the reaction to be of the fellow UAW members employed at Chrysler? I remember that when the Chrysler workers feared that their company was near the brink of bankruptcy, many of them became suspicious of the UAW program for a general increase in wages. They were not at all certain that this general increase would not lead to the demise of Chrysler and the loss of their vested benefits. This raises the problem of the strain within a trade union as it is torn between the function of an overall movement and the representative of a special interest. The problem remains unsolved and it will be interesting to see to what extent the progress sharing agreement makes its contribution to those forces that direct the union away from the concept of a movement, and in the direction of a special interest.

I am at a loss to understand Mr. Ronner's paper. He speaks on behalf of the unorganized workers. I was under the impression that the reason the unorganized workers remained unorganized was that they felt no need of representation. The paper reminds me of the sort of discussions in management personnel circles in the twenties and thirties when management was beguiled by employee representation plans and company unions. I am inclined to agree with one of his observations and that is that managements without unions are loath to institute formal procedures for the treatment of grievances lest they, thereby, create the skeletal framework around which an independent union will develop. The history of the Steel Workers union consists in large part of the absorption of these company generated organizations into the United Steel Workers Union.

As matters stand now the union haunts all personnel procedures in the non-union plant. Very often the non-union group is able to con more out of their employers than the regular union group by dropping gentle hints about the possibility of going union. The non-union worker is the beneficiary of and the non-union employer the victim of the union in a much more disorganized fashion than if they were frankly organized. I can well understand the wish of the non-union employer to let well enough alone rather than experiment with pseudo techniques. I can see the necessity for such procedure among civil service workers but they have little place in the private sector of the economy. I should say that the article constitutes an interesting museum piece of a by-gone age.

Part IX

**THE LABOR FORCE IN SPECIAL
INDUSTRIES: ITS CHARACTER
AND PROBLEMS**

COMPETITION BETWEEN THE INSIDE AND OUTSIDE LABOR FORCE FOR THE WORK OF THE INDUSTRIAL FIRM

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INTRODUCTION

The contracting-out of work has become the most significant nonwage issue in collective bargaining between industrial management and in-plant unions.¹ In this paper, we will focus attention on another noteworthy and closely related inter-group struggle, the competition between in-plant and community craft labor forces for the maintenance and construction work of the industrial firm.

This research report is based on data derived from two separate studies. The first was a field interview survey in a stratified random sample of 74 plants. The second involved systematic research on the decision process. Data for series of no less than 30 consecutive plant management decisions involving contracting-out were gathered and analyzed.²

It is the thesis of this paper that the heart of the struggle between inside (in-plant) and outside (community craft) forces for industrial maintenance and construction work lies in economic, organizational, and technological factors operating behind the scenes and basically shaping the participants' behavior. These factors overshadow events in the immediate battles between the inside and outside labor forces as well as the agreements that the craft and industrial unions representing each side make with one another or with industrial management.

EFFECT OF SPECIFIC FACTORS ON THE COMPETITION

It is apparent that recent economic, organizational, and technological developments, such as the introduction of the integrated oil refinery, have served the cause of the outside group more than they have that of the inside group. This statement reflects over-all trends, but we still need to know what factors will enable us to predict the

¹ This statement does not imply that the issue is a new one. It was a subject of the railroad shopmen's strike in the early 1920's.

² This research was supported by a Ford Foundation Faculty Fellowship grant in social science and business.

relative position of inside and outside forces regarding share of employment opportunities in a given plant, industry, or area. The factors that seemed to provide the best prediction were: plant employment size, size of the internal force, industry type (process vs. fabrication), and craft wage rates.

Plant Employment Size. An analysis of the relationship between percentage of the total dollar value of maintenance and construction work contracted-out and plant employment size indicated that small and large plants are the stronghold of the inside group, while middle-sized plants have a distinctly higher rate of contracting-out.³ (see fig. 1)

It might appear that we have one continuous parabolic function,

³ These generalizations do not apply to very small plants, for there were no establishments in the sample with under 200 employees.

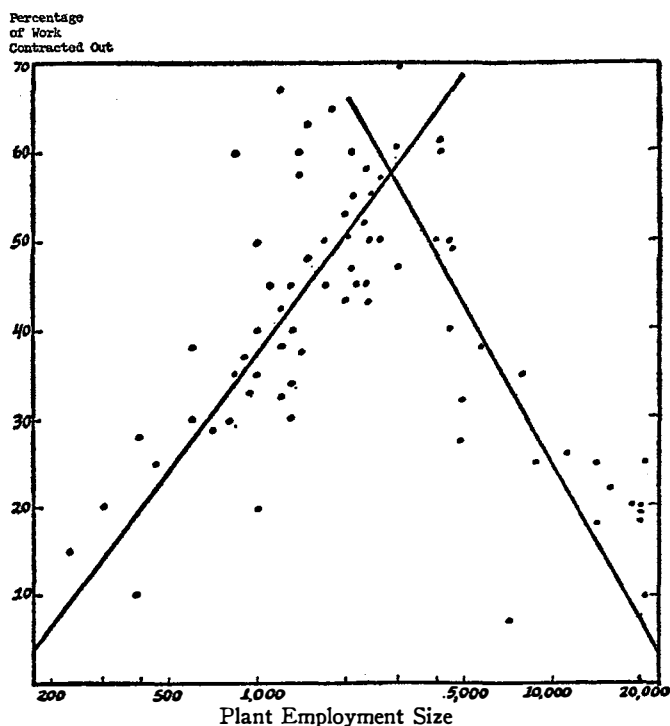


FIG. 1. Plant Employment Size vs. Percentage of Maintenance and Construction Work Contracted Out.

but actually there seemed to be two forces in operation. In view of this observation, two separate functions were more logical. Percentage of work contracted-out is a linear function of the \log_{10} of plant size. For plant size 200-2,000, percentage of work contracted-out = $-93.3 + 43.6 \log_{10}$ plant size. For plant size 2,000-20,000, percentage of work contracted-out = $271 - 61.7 \log_{10}$ plant size. Percentage of work contracted increases as we proceed from small to middle-size range (around 2,000). From middle to large size, the slope of the curve is negative.

The first function reflects the need of the small plant to utilize fully its internal force by providing the essential core group of maintenance and construction employees with as much work as possible. In slow periods, maintenance and construction jobs were used as a fill-in for production workers. Moreover, in this way the small establishment could charge some capital improvements as current expenses.

Plants in the middle-size range were not as fully committed to the inside function. Their volume of business was adequate to permit them to specialize and to realize savings by contracting-out part of their operations, especially an auxiliary function like maintenance and construction. The inside interest group was weakest in these establishments.

As plants became sufficiently large, they were able to support a continuously operating maintenance and construction function. In fact, they may have organized a subsidiary to supply their needs. Economies of scale could be realized. This constitutes a force quite different from that which influenced the smaller establishment to favor the inside function.

Technological Differences: Fabrication vs. Process. The distinction between fabrication and process industries is significant for this problem. Process work, such as oil refining, requires continuity of operation. Stoppages incur severe economic penalties. Fabrication involves the assembly of discrete units, as in automobile manufacture, and less severe penalties for interruptions. The conduct of the maintenance and construction functions is affected greatly by these factors.

An examination of the survey data revealed the following differences between process and fabrication. Process firms had larger maintenance and construction departments, and they were more apt

to have a management policy favoring a vertically integrated structure. Translating policy into action, the 32 process establishments in the sample contracted-out an average of 29 per cent of their total dollar expenditure for maintenance and construction, whereas, the 42 fabrication plants contracted-out 48 per cent.⁴

In comparison to process management, fabrication seemed more intent on establishing day-to-day competition between the internal operation and the outside groups, by opening more decisions to both alternatives. All of the plants employing internal profit and loss control systems for the maintenance and construction function were in the fabrication category.⁵ Fabricating concerns also were considerably more apt to charge high overhead costs against the internal function.

All of these findings seem to indicate that outside forces would concentrate on the fabrication plants for advancement, but recent technological change plus the introduction of new concepts such as industrial contract maintenance have served to make the process field the site of innovations that may have far-reaching effects. Modern integrated process plants and old ones that have undergone conversion are especially amenable to these new arrangements.

In these new types of plants, the traditional lines between inside and outside forces have tended to blur. To obtain industrial work, some craft unions have agreed to abandon practices that disrupt production, such as on-the-spot jurisdictional disputes. In certain cases, the contractor and his men have tended to become an appendage of the industrial firm and to lose much of their usual independence. The potential loser in this new state of affairs, the industrial union, has turned around and organized the maintenance contractor's men! Process establishments, the stronghold of the inside forces, now exhibit the greatest potential for change.

Wage Rates. Competitors for work must compete in terms of the particular cost calculations made by the buyer of their services. In the buyer's decision whether to do work with inside forces or contract-out, costs include labor, materials, overhead and other factors, but for the industrial firm, the most visible and therefore the most significant cost elements seemed to be those that relate to outside craft and industrial plant wage rates. Labor costs constitute

⁴ This difference is significant at the 5 per cent level.

⁵ Under this plan, inside departments bid for work in direct competition with outside contractors.

an important part of the total cost of the maintenance and construction operation, and they also are an item for which comparative data tend to be readily available. Moreover, labor costs are a relevant factor in the decision because they generally are different between the two alternatives.

For a given geographic area, the size of outside craft rates provided an excellent prediction of the position of the area with regard to proportion of work contracted-out.⁶ It was found that the overall percentage of work contracted-out was related inversely to the magnitude of prevailing craft rates.⁷ Craft groups argue that management should consider a variety of overhead factors in computing differentials, but the high visibility of the raw wage rate data is difficult to combat.

We also noted that the competition between inside and outside forces is a community-based phenomenon. Contracting-out practice in plants of the same firm that were located in different areas clearly reflected differences in community craft rates.

Size of the Internal Force. As we anticipated, plants with large maintenance and construction staffs (over 250 workers) did significantly less contracting-out than those with smaller forces. Interestingly, the proportion of the total force engaged in maintenance and construction also proved to be predictive of the amount of union influence in the decision.

It should be noted that not all industrial unions have countered successfully craft gains in the establishment. Only 32 per cent of the collective bargaining contracts included in the study contained some specific clause governing management performance of the contracting-out function. Another 25 per cent had a letter of intent or some verbal understanding that applied to this area. Converting these agreements and their actual impact into a rating for union influence, we found that about one-fifth of the industrial plant unions had a strong voice in the decision and one-fifth had moderate voice. The remaining three-fifths had little or no influence.

Amount of union influence was correlated positively with percentage of the total plant force engaged in maintenance and construc-

⁶ The survey included seven metropolitan areas.

⁷ For each area, an average of the rates for six key crafts was calculated. The Spearman correlation coefficient for this relationship was significant at the five per cent level.

tion.⁸ The relationship was even stronger when we took into account the factor of union structure. Where maintenance and construction workers exceeded 10 per cent of the membership of the industrial union, some union voice seemed almost inevitable. Plant union influence was non-existent in cases where there were no maintenance and construction workers in the industrial union and small numbers of plant craftsmen were organized in separate craft locals, which were largely indifferent to the problem.

For industrial union voice in the decision, the existence of a strong numerical base seemed to be a necessary and perhaps sufficient condition. Of course, the significance of sheer numbers and proportions may diminish if agreements on contracting-out become a norm for the industrial union. Until recently, contracting-out tended to be a special interest issue that "washed out" in bargaining unless strong pressures could be exerted by its proponents.

THE COMPETING FORCES AND THE DECISION PROCESS

Thus far we have examined some basic factors that serve to structure the competition between inside and outside forces. We have yet to determine how this competition is affected by and affects factors in the day-to-day management decision process regarding contracting-out. Research on series of at least 30 consecutive plant management decisions revealed how certain factors stimulated action on the part of these competing groups, and how differences in the rate of change of a factor and given cumulations of a number of these factors affected their behavior.⁹

Management Decision Patterns. The research did not produce a picture of the decision-maker frequently switching back and forth between the two alternatives—contract-out or use inside forces. Rather, there seemed to be organizational commitments to one or the other route over the short run, say, one year. There were occasional deviations from the on-going pattern, but these did not continue. We note, then, that for fairly long stretches of time, inside and outside forces become accustomed to a persisting decision pattern, either favoring or disfavoring them.

Factors Predictive of Union Objections. How often do inside and outside forces contest a management decision? At one extreme,

⁸ r is significant at the five per cent level.

⁹ Data collection is still in process, and therefore the conclusions presented must be regarded as tentative.

inside workers might object to every contracted job. With much greater difficulty, outside groups might question every inside assignment, so that each decision would become the subject of controversy. But this suggests a prohibitively high rate of activity and no selection process whatsoever.

If a series of consecutive decisions largely favored inside work, the internal union seemed fairly certain to challenge any "deviant" decision to give work to contractors. If a decision series largely favored contracting-out, the union seemed to object to roughly two-fifths of these.¹⁰ This finding probably indicates that factors sufficient to cumulate to the protest threshold occur simultaneously with about this frequency.

Pressures and protests from outside craft unions and contractors were less frequent, but they occurred in almost every establishment. Only the big jobs seemed to be visible to the outsiders, and they focussed their attention on these.

Prediction of the occurrence of protests was one of the focal points of this research. Analysis of data from the 74 plant survey indicated that the following factors were potentially significant predictors: special agreements between management and union that certain work belonged to the inside group, the number of men on layoff, and the size of the job as measured by the amount of money involved.¹¹

In all cases, the amount of money involved was highly positively correlated with union objections. Number of men on layoff showed a somewhat lesser degree of relationship, but surprisingly, special agreements did not serve to predict union behavior.

How can we explain this fact? It is our theory that objections occur when a number of factors cumulate, and in cases where special agreements were involved they usually did not (or were not allowed to) cumulate. Decisions favoring contracting-out and also governed by special agreements tended to take place at times when pressures from layoff and spending activities were minimized. Thus special agreements generally were out of phase with the other factors. This finding constitutes something of a revelation, for one often regards such agreements as definitive settlements of issues and not just

¹⁰ The type of work included in the decision series was normally of interest to *both* inside and outside groups.

¹¹ Lack of space does not permit a detailed exposition of these findings or of those that follow.

temporary solutions, largely applicable to the case or cases that originally prompted them.

Cumulative Series Analysis. The following analysis of the data presents a more lucid picture of the extent to which the dependent variable, union objections, and the two independent variables, number of men on layoff and dollars spent on maintenance and construction, are interrelated. Cumulative data for each of these variables in a typical case are presented in fig. 2.¹² Examination of this graph clearly indicates that the three variables have a highly correlated rate of change.

The tendency of these factors to keep pace with one another could hardly be a chance occurrence. Rather, it reflects the marked sensitivity of the internal union to these factors and the extent to which the protest process is a function of the other variables.

Cumulating Pressures. The theoretical notion that cumulating pressure factors led to union protest action and that the failure of

¹² The decisions in this case largely favored contracting-out. Only one-half of one job was done with inside forces.

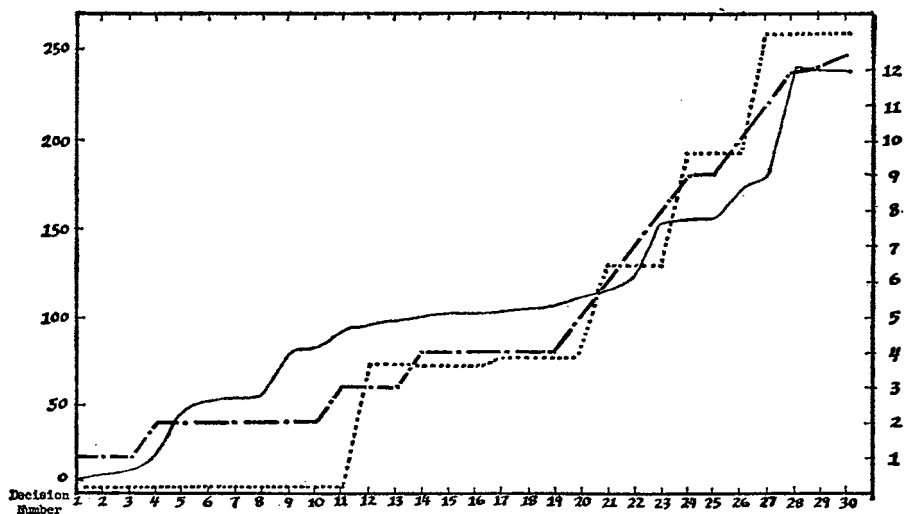


FIG. 2. Cumulative Number of Dollars Spent on Maintenance and Construction, Cumulative Number of Men on Layoff and Cumulative Number of Union Objections for a Series of Thirty Consecutive Contracting-Out Decisions.

Left Scale: — Cumulative Dollars Spent on Maintenance and Construction (in thousands); Cumulative Number of Men on Layoff (actual number).
Right Scale: —.— Cumulative Number of Union Objections.

factors to cumulate accounted for the lack of it was upheld by the data. Moreover, management concessions to the inside force seemed to occur when there was an over-all increase in maintenance and construction activity, accompanied by increased group pressures for work.

In extreme cases where the in-plant union was successful in a series of objections to decisions to contract-out, we noted a marked and persistent leveling of the slope of the curve for cumulative amount of dollars spent on maintenance and construction. Under strong cross-pressures, management may either split work between the two competing groups or simply postpone the job. When the organization responds by markedly decreasing its rate of activity, both inside and outside forces may suffer a diminished opportunity for work.

CONCLUSIONS

Through this research we have developed a picture of two competing groups, the inside (in-plant) and the outside (community craft) labor forces vying for the maintenance and construction work of the industrial firm. We have found that they are not as free to compete effectively as one might have anticipated. Rather their relative positions regarding share of work are influenced by four major variables, only one of which is under their control to a significant extent. Two of these, plant size and industry type (process vs. fabrication), are completely out of the realm of their control. Developments in these fields are primarily a product of economic and technological trends.

A third factor, the size of the internal maintenance and construction force, is largely under the control of industrial management. If it wishes to reduce the size of the force, this step can be accomplished through a process of attrition and by attractive severance and early retirement programs. On the other hand, crew size requirements historically have been rigid on the contractor-craft side. This fact has placed the contractor-craft complex at a disadvantage in the competition for industrial work, although it has modified its position in some recent cases.

In the matter of wage rates, both union groups have considerable voice through collective bargaining. The fact that the rate per se, rather than any more complicated calculation, has been the focus of the industrial decision-maker's attention has given the inside forces

an advantage thus far. Conceivably, either group could use rate cutting as a means of driving the other from the field, but the prospects for this are slight, to say the least. The other alternative, agreements between them that would serve to eliminate competition, seems equally remote, in view of their long history of conflict.

We conclude that although these groups may compete for the work of the industrial firm, their competition generally is not the determining factor in the management decision.

At present, the stronghold of the inside force is the large process establishment with a large maintenance and construction force that has membership in an industrial union. The plant is located in an area that has high craft rates. The stronghold of the outside group is the middle-sized fabricating concern with a small internal force that has membership in a craft union. The plant is located in an area where craft rates are not high. However, we note that the situation is in flux and that forces are acting to alter this pattern. Greatest changes seem to be taking place in the large process plants. Small plants may turn increasingly to contracting-out, but it is doubtful that they will become the focus of great struggles between inside and outside forces. The battlefields of the immediate future seem destined to be located in large establishments, especially those with sizable internal forces.

In connection with the above trends, we would like to add a note about the concepts, inside and outside. In this research, the definitions are based on the source of the employment relationship—the industrial firm (inside) and the contractor (outside). It would also be possible to suggest distinctions of a sociological or psychological nature based on interaction or identification. In any case, future developments or other research needs may lead us to use these terms differently. For instance, it seems that in many ways the distinction between the two groups is more meaningful in fabrication than in process establishments. In fabrication, the outside force is more fully institutionalized as a separate entity. The nature of process work is such that outsiders have a tendency to become insiders, or at least the two groups tend to develop remarkable behavioral similarities. The source of the paycheck may be the sole distinction worth noting. This seems to indicate, in turn, that the present inside-outside conflict in process industries may be a temporary phenomenon.

It appears that the two competing forces are affected greatly by

patterns in the management decision process. For instance, workers' expectations and consequent adverse reactions to change may tend to be heightened by the characteristic long runs for one outcome, either contract-out or do work with inside forces.

The functioning of the two competing forces in the management decision process seemed to have an outstanding economic sensitivity. Industrial union challenges to decisions to contract-out work constituted dramatic responses to changes in the rate of spending for maintenance and construction. The inside group also was sensitive to the rate of change of the number of men on layoff. While the above managerially determined factors had great effect on the protest behavior of the internal forces, special agreements that certain work would be the property of the inside group seemed to have only a fraction of the influence one might have anticipated.

We have found that it is necessary to examine an entire series of consecutive decisions and to note the manner in which factors, such as amount spent on maintenance and construction and layoffs, cumulate in order to predict the response of one of the competing forces. In a similar manner, various aspects of management decision behavior seem to constitute a response to a series of cumulating factors.

Methodologically, this research has attempted to make a contribution by introducing a comparative analysis of rates of change in factors that affect the course of events in industrial relations. The materials presented in figure 2 constitute the heart of this analysis.

What is the future of the competing forces which were the subject of this research? It is apparent that much of the day-to-day sparring involving plant or craft unions and management, or craft and industrial unions on the local or national scene, must be regarded as a holding operation in the face of a period of change. But we must not make the mistake of assuming the parties will remain as they are. While functions, such as maintenance and construction, certainly will persist in the firm, they may be structured differently. Thus, the inside crew may be abandoned in favor of workers who are employees of large contractors. The industrial supervisor may become primarily a contract administrator, and the long-term relationship of management with plant employees may be shifted to a contractual relationship with one contractor-employer.

Contractors may lose some of their independent free market characteristics and become integral parts of one or several estab-

lishments. New unions or new offshoots of old unions—not the traditional craft and industrial groups that dominated the scene in the thirties, forties, and fifties—may organize these industrial contractors and constitute a new and powerful factor in labor-management relations. In turn, these observations may provide clues to potential directions for restructuring in the labor movement, such as the development of non-job-oriented unions that will seek as a prime goal a direct influence on technological and organizational factors.

In reality, this is a struggle for a new industrial work market—and a venture that can be accomplished successfully through skillful adaptation to changing economic and organizational structures. The craft unions have taken the initiative this time. Industrial unions find themselves in the position of defenders of the status quo, a reversal of the situation in the 1930's.

It seems clear that the battle over contracting-out will not be settled by the superior strength of one union group over the other. Rather, its resolution will depend on the ability of one or the other, or of both groups jointly, to adapt to and to meet the needs of a new situation. The battlegrounds may lie in the areas of status quo, but the actual victories involve no battles and lie in the areas of change, especially in the technological and managerial fields.

LABOR PROBLEMS IN THE MERCHANT MARINE

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One of the outstanding characteristics of labor problems in the merchant marine is the fact that they differ markedly from those in shoreside industry. These differences are so numerous and so significant that it is clearly impossible to discuss all of them, even in cursory outline form, within the brief compass of one short paper. Consequently the principle of selectivity must be called into play; and in this instance I have chosen to single out a limited number of seagoing labor problems which go well beyond the familiar trinity of hours, wages, and working conditions, which are often non-pecuniary or only indirectly pecuniary in nature, which impinge upon the vital areas of the public interest and the national welfare, and which are frequently international in scope and in character.

The merchant seaman is inevitably and automatically much more than an ordinary workingman devoted to the production of goods or the provision of services for private gain. By reason of the very nature of his job, whether he realizes it or not, he is also a representative of his nation and his culture in foreign countries and thus a contributor to the betterment or worsening of international relations. Furthermore, he is an indispensable figure in the competitive intricacies of foreign trade during peacetime and a top-priority personage during wartime; a pawn on the chessboard of international rivalries and diplomatic maneuvering; a vital adjunct to the navy and an important cog in the complicated machinery of military logistics; a front-seat observer and often a participant in a long line of international incidents which raise or lower political, ideological, or military tensions; a catalyst and a beneficiary in the area of international cooperation through the development of supranational seamen's agencies and organizations; and the recipient of so much disciplinary and protective attention at both the legislative and bureaucratic levels that he is bound by a mass of governmental red tape virtually without precedent in the field of labor.

Against such a background and within such an environment the seafarer finds himself beset by many problems which transcend the limits of his own self-interest and which overrun the boundaries

of the field of labor economics. Within recent years perhaps the most dramatic and controversial of these situations has been one variously designated by such terms as flags of convenience, flags of necessity, runaway ships, or "Panlibhon" tonnage (a shorthand-style reference to Panama, Liberia, and Honduras, the three major domiciles of flags of convenience.)

Whatever the term used, the practice referred to may produce results which sometimes seem as fantastic as the Arabian Nights or as whimsically incredible as *Alice in Wonderland*. A vessel owned and operated by nationals of any given country will be registered under the navigation laws of some other nation which has lower-standard or more favorable tax, labor, currency, social, or safety legislation, and will thus come under the jurisdiction of and fly the flag of the country of registry rather than of the country of ownership.

This procedure obviously raises questions of economic reality versus legal fiction, and of *de facto* versus *de jure* status. It is also reminiscent of the practice of incorporating a business in whatever state seems to present the most favorable legal pattern, regardless of a company's geographical center of gravity, and of the analogous problem of runaway shops ashore. Runaway shops, in other words, are simply the land-based cousins of runaway ships.

The more fantastic and whimsical aspects of the situation become apparent, however, only when it is realized that a flag-of-convenience-country need not, and typically does not, have a single dollar invested in a vessel which flies its flag, or a single national on the board of directors of the operating company; that not a single member of the crew need be a citizen of the country of registry; that most vessels flying flags of convenience have never once dropped anchor in a port of their adopted country; and that in terms of the flag flown the fourth largest maritime nation in the world is now Liberia.

This device of operating under flags of convenience is not, of course, an overnight invention of the immediate past; but it grew by leaps and bounds after World War II, when the vast surplus tonnage of that war gave rise to a frenzied search for cost-cutting measures deemed necessary in the face of rapid obsolescence and intensified international competition, especially in such a high-cost nation as the United States. By far the most lucrative sources of these lower costs were found in the microscopic tax rates and substandard labor and social legislation of several small non-maritime countries which seemed content with whatever windfall additions to their national

revenues they could derive from nominal registration fees, tax collections, and miscellaneous minor prerequisites. By 1959 there were no less than 25,000,000 deadweight tons of merchant shipping registered under the three flags of Panama, Liberia, and Honduras, with some 10,000,000 of these tons owned and controlled by citizens of the United States and approximately seven-tenths of this American subtotal made up of tankers.

Such spectacular and bizarre developments, packed into the short space of only fifteen years, have naturally given rise to a welter of controversy and a host of arguments and counter-arguments emanating from a long and diversified list of interested parties. The most pressing and vital of these arguments are centered upon the actual and potential effects of "Panlibhon" shipping upon seamen's unions and their labor standards, upon the competitive position of conventional shipowners in the traditional legitimate maritime nations, upon the labor-cost differentials between American and foreign operators, and upon the availability of "Panlibhon" flag vessels to the country of ownership in case of wartime emergencies.

Organized seamen are desperately worried about unemployment, widespread substandard living, working and safety conditions on shipboard, and the threat to collective bargaining and labor standards represented by the unorganized polyglot crews of many "Panlibhon" vessels; shipowners in the older, bona fide maritime nations are torn between envy of their low-cost "Panlibhon" competitors and frustrated opposition to what they can only regard as unfair competition; American "Panlibhon" operators insist upon the term flags of necessity rather than flags of convenience, and maintain stoutly that because of staggering cost differentials their only realistic choice is to survive under such flags or to perish without them—at least in the absence of federal subsidies which would be questionable economically, enormous financially, and probably unattainable politically; and those concerned about national defense in the ownership countries are sharply divided over the question of whether or not such countries will really be able to retain effective control of their alien-flag vessels in times of emergency.

These hotly-contested problems and policies, all basically worldwide in scope, have given rise to a series of formal reactions on the part of many international and governmental organizations and agencies. First to be aroused was the Seamen's Section of the International Transportworkers' Federation, largest of the international

trade secretariats and representing most of the organized seamen outside of the Iron Curtain. The central office of this group in London has become the planning and coordinating center for the seamen's fight against flags of convenience, and by 1949 the ITF was engaged in discussions with representatives of the government of Panama which bore a striking resemblance to formal diplomatic negotiations between sovereign nations. When these discussions broke down, the ITF fell back upon two other major weapons: investigation, publicity, propaganda and guidance of its affiliated national seamen's unions on the one hand, and direct economic action on the other.

In the field of investigation and fact-finding it was sometimes possible to supplement the ITF's own studies with material gathered by other agencies such as the International Labor Organization; whereas economic action involved the attempt to bring the crews of "Panlibhon" vessels under union contract through the use of organizing activities, the international boycott, the strike and the picket line. When successful, this method meant that a given vessel would be tied up in port until her operators agreed to grant union recognition.

But here the familiar problem of conflicting jurisdictional claims presented itself in a particularly complicated form. If a vessel flying the Liberian flag but owned and operated by United States citizens and carrying a crew containing a majority of Greek seamen were unable to get out of a Swedish port until her owners agreed to unionize the crew, there was an obvious question as to which seamen's union would sign the contract and thus determine the working and living conditions on board—the American, the Greek, or the Swedish (fortunately there was no Liberian seamen's union to complicate the matter still further).

At first the ITF dealt with this difficulty by awarding jurisdiction to the union in the port where the organizing took place; but more recently it has changed over to a policy of holding that all "Panlibhon" union contracts must follow the country of ownership. Thus in the illustration just given it would be an American rather than a Swedish union which would become signatory to the agreement.

Other attempts to deal with various aspects of the runaway ship controversy have been made through a series of international governmental conferences and agencies. The Maritime Transport Committee of the Organization for European Economic Cooperation con-

tributed some useful statistical analyses; a special International Conference on the Law of the Sea, convened in Geneva in 1958, held after much legalistic controversy that there should be a "genuine link" between a country and any vessels flying its flag, but was utterly unable to agree upon what constituted a "genuine link"; and the Forty-First (Maritime) Conference of the International Labor Organization, meeting immediately afterwards, was able to accomplish little more when it accepted the vague and undefined concept of a "genuine link" and adopted two problematical recommendations dealing with the engagement of seafarers for service on foreign vessels and with the safety and social conditions of seafarers in relation to the registration of ships.

Finally, the newly-born Intergovernmental Maritime Consultative Organization, in determining upon the membership of one of its committees, was forced to turn to the International Court of Justice at The Hague for a decision on whether or not Liberia was one of "the eight greatest maritime nations" whose representatives were to be seated on the committee. If tonnage were counted according to registry, as one school of thought maintained, it was clear that one seat belonged to Liberia; but if ownership were the test, as most bonafide maritime nations contended, it was equally clearly that Liberia had no claim whatever. The Court, over a vigorous dissenting opinion, held in favor of registry, and thereby awarded a seat to Liberia.

In sharp contrast to such frustrating or confusing pronouncements at the international level, recent developments in the United States have been significant and incisive. In February, 1961 the National Labor Relations Board handed down a precedent-setting ruling in connection with the Liberian-registered but American-owned SS Sea Level. In this decision, which is in line with several others involving similar issues, the Board held that a vessel comes under the jurisdiction of American labor law and hence of the Board if she is American-owned and operates out of American ports in American commerce, regardless of what flag she flies and of the citizenship of the members of her crew. The wording of the decision made it crystal-clear, too, that this reasoning applied not only to the huge "Panlibhon" fleet, but also to all American-owned vessels in American commerce which might be registered under any other foreign flag.

The significance of this ruling, of course, lies in the fact that it

will enable American seamen's unions to utilize the machinery of the NLRB in filing unfair labor practice charges and in calling for supervised elections. These two measures, in turn, will open the way for an aggressive organizing campaign which is already showing unmistakable signs of progress and which before long may result in unionizing a substantial proportion of all "Panlibhon" and other foreign-flag crews.

This organizing drive will be subject to both a weakening and a strengthening influence which, in offsetting each other, should leave a clear net balance in favor of the unions. The recently-activated and jointly-sponsored United Maritime Workers' Union, aimed directly at the unorganized crews of "Panlibhon" ships, has fallen prey to union rivalries and has been broken up just at the time when it might have been most effective. On the other hand, the courts of both Pennsylvania and Texas have refused to uphold injunctions against the picketing of American-owned but foreign-flag vessels in American ports, on the grounds that this area comes under federal rather than state jurisdiction, and the United States Supreme Court has declined to review the Pennsylvania case.

These decisions create a strong presumption that American unions will be able to picket American-owned, foreign-flag vessels whose mixed crews have been persuaded to go on strike in American ports; and the resulting impetus to the unionization of the huge American-owned segment of the "Panlibhon" fleet will further stimulate the similar efforts of the International Transportworkers' Federation in all other ship-owning countries. In spite of much remaining litigation and complicated economic and legislative maneuvering, it is not unlikely that flags of convenience may well be far less common in the near future than in the recent past.

Such a result, both in itself and because of the worldwide teamwork developed in attaining it, will serve to emphasize still further the international contacts which represent another distinguishing aspect of seagoing labor problems. To a much greater extent than most other working class groups, merchant seamen are torn between vertical national loyalties on the one hand and horizontal international and occupational loyalties on the other hand—between the things they have in common with all other Frenchmen or Canadians or Norwegians and the interests they share with all other seamen, regardless of nationality. Because of the very nature of their calling,

it has long been clear that a great many of their labor problems are essentially and inevitably international in scope and in character, and therefore require international action—just as within the United States it is equally clear that numerous economic problems are oblivious to state boundaries and consequently must be dealt with at the federal rather than the state level.

It is no wonder, then, to find that the working and living conditions of merchant seamen have become matters of concern to a long and impressive list of international organizations and agencies. Time and space permit mention here of only a few examples, such as the International Labor Organization, which has held a number of tripartite maritime conferences, published a long series of specialized studies, adopted a substantial list of international conventions and recommendations, and set up several subordinate bodies; the World Health Organization, which is deeply concerned with numerous aspects of seamen's health and welfare, including free medical advice by radio to ships at sea and the coordination of various semi-independent operations; the newly-created Intergovernmental Maritime Consultative Organization, which is taking over certain responsibilities in the complex and technical but also dramatic area of safety at sea; and a miscellaneous grouping of other smaller and more specialized organizations, private, semi-public, and governmental, which cover a wide range of interests.

Another troublesome problem which develops many broad ramifications when it goes to sea is that of discrimination. Merchant crews have long been known for their high proportion of polyglot mixtures of races, religions, languages, ideologies, and nationalities, and the close and long-continued confinement of shipboard life presents all of the frictions and tensions of such contacts in microcosm. Lascars, Goanese, Chinese, Indonesians, Polynesians, Africans, Europeans and Americans; Hindus, Mohammedans, Buddhists and a confusing variety of Christians; and representatives of scores of languages, ideologies and nationalities have bedevilled captains, bureaucrats, and union officials with their differences, conflicts, taboos, superstitions, and irreconcilable habits and customs. Citizenship requirements in many merchant marines have substituted selective homogeneity for indiscriminate heterogeneity to some extent, and union negotiations and contracts have frequently succeeded in eliminating the grosser forms of distinction and in narrowing the differentials in pay and

working conditions between similar or identical ratings, as well as in curtailing segregation within the union membership itself; but discrimination as a seagoing labor problem is still far from a satisfactory solution.

Further occupational peculiarities of merchant seamen are to be found in the numerous and solicitous provisions for their health and welfare. Because of their long and unpredictable absences from their home communities and their home countries, their inability to meet local residence or citizenship requirements, their strategic services in connection with national defense, and their abnormally high liability to accidents, disease, and personal mishaps of all kinds, they are surrounded by an extensive network of free and low-cost health and welfare benefits which is perhaps unique in the annals of labor.

In the United States this network includes the Marine Hospitals, now incorporated into the Public Health Service, which for well over a century have been providing free medical treatment for merchant seafarers; recently-established union health and welfare funds, ship-owner-financed but jointly administered, which supply a growing list of supplementary benefits to eligible seamen and their dependents; consular and employer responsibilities, spelled out in endless detail in a flood of legislative enactments and agency directives, for crew members caught in an unending stream of vicissitudes in foreign ports; ship operator liabilities incorporated into trade union contracts and calling for a variety of payments arising out of contingencies occurring on shipboard; unemployment compensation benefits which are helpful palliatives but clumsily administered because of legislative insistence upon applying state laws to foreign-going vessels which are totally unaware of state boundaries; workmen's compensation benefits which are conspicuously inadequate or lacking, largely because of the seamen's own preference for employers' liability and individual damage suits; and a miscellaneous grouping of port welfare facilities operated by church-connected voluntary societies, by private secular organizations, or by government-sponsored or government-coordinated agencies.

These are only a select few of the many respects in which the living and working conditions of merchant seafarers differ strikingly from the more familiar patterns of shoreside labor; but they must suffice here to illustrate and to verify the point that the job of the seaman has overtones and ramifications which extend well beyond the limited and prosaic objective of earning a living.

TRENDS IN PUBLIC EMPLOYMENT

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TRENDS IN PUBLIC EMPLOYMENT

Government employment has become one of the Nation's largest fields of employment. In 1960, there were 8.5 million civilian public employees¹ employed in over 100,000 governmental units in the United States. Over half of these were employed in local governments—counties, cities, townships, school districts, and special districts. The State governments accounted for about one-sixth of public employment and the Federal Government for the remainder. By comparison, in 1929, slightly over three million persons were in public employment distributed as follows: 70 percent in local government units, approximately 13 percent in State government, and 17 percent in Federal service. Since 1929, total public employment has almost tripled. Employment in local governments has more than doubled. State employment has increased fourfold, and Federal employment has increased almost five times in the last three decades.

Public employment has greatly expanded as a result of population growth, war and national defense, economic crises, technology, urbanization, and the expansion of government services. In this paper, the growth of public employment, in all levels of government for the period 1929-60, will be examined.

THE OVER-ALL RECORD

In 1929, the civilian labor force totaled slightly more than 49 million persons. Of this number, a little over three million or about 6 percent were employed by all levels of government. By 1960, the civilian labor force numbered 70.6 million with 8.5 million being public employees. During the period 1929-60, the civilian labor force increased 43 percent, whereas government employment in-

¹ Public employees, as defined by the Bureau of the Census, include all paid officials and civilian employees of Federal, State, and local governmental units. Also included are fee officials, paid volunteer firemen, student help, and other persons serving on a part-time basis—even though they may receive only nominal compensation for their services. *Historical Statistics of the United States from Colonial Times to 1957* (Washington, D. C.: Government Printing Office, 1958), p. 696.

creased 178 percent. Since 1929, government employment has provided jobs for an increasing proportion of the civilian labor force.

The growth has been steady with the exception of the war years. In 1939, there were almost four million persons employed in government out of a total civilian labor force of over 55 million. Although the labor force was smaller in 1944, over six million persons representing about one-tenth of the civilian labor force were employed in government. The number of persons in public employment dropped to 5.8 million in 1949, although the labor force had grown to 62 million. Since 1949, both civilian and government employment have increased. Between 1949-60, the former increased 14 percent and the latter 46 percent. Government employment as a percentage of the civilian labor force rose from 9.4 percent in 1949, to 12.1 percent in 1960.

The importance of government employment can be seen in a comparison with the total number of wage and salary workers in nonagricultural establishments (Table I). Public employment accounted for 9.9 percent of all such workers in 1929, and 16 percent in 1960. From 1929 to 1960, total wage and salary workers increased from 31 million to 52.9 million, a gain of 70 percent. As previously noted, government employment increased more than 175 percent during this period. In 1929, one out of every ten nonfarm workers was a public employee as compared with one out of every six in 1960.

The pattern of distribution of public employment by level of government has varied considerably during the last 30 years (Table II). Federal employment has experienced the widest fluctuations. In 1929, Federal employees represented about one-sixth of all public employment. By 1935, they constituted one-fifth of the total. In 1944 and 1945, half of all public employees were in the Federal service. Following the war, the proportion of Federal employment declined, from two-fifths in 1946, to one-third of total government employment in 1950. During the Korean War, the Federal Government accounted for almost two-fifths of the total, but by 1953, its share was again a third. In each year since 1955, the proportion had steadily declined so that by 1960, the Federal Government employed about one out of every four public employees.

The proportion of State employment has also risen, but the distribution pattern has not experienced wide fluctuations. In 1929, State governments accounted for 13 percent of total public employ-

TABLE I

Total Number of Wage and Salary Workers in Nonagricultural Establishments
and Total Public Employment (All Levels of Government)
1929-1960

(Thousands of employees)

<i>Period</i>	<i>Total wage and salary workers</i>	<i>Government employment— federal, state and local</i>	<i>Government employment as % of total nonagricultural employment</i>
1929	31,041	3,066	9.9
1930	29,143	3,149	10.8
1931	26,383	3,264	12.4
1932	23,377	3,225	13.8
1933	23,466	3,167	13.5
1934	25,699	3,298	12.8
1935	26,792	3,477	13.0
1936	28,802	3,662	12.7
1937	30,718	3,749	12.2
1938	28,902	3,876	13.4
1939	30,311	3,995	13.2
1940	32,058	4,202	13.1
1941	36,220	4,660	12.9
1942	39,779	5,483	13.8
1943	42,106	6,080	14.4
1944	41,534	6,043	14.5
1945	40,037	5,944	14.8
1946	41,287	5,595	13.6
1947	43,462	5,474	12.6
1948	44,448	5,650	12.7
1949	43,315	5,856	13.5
1950	44,738	6,026	13.5
1951	47,347	6,389	13.5
1952	48,303	6,609	13.7
1953	49,681	6,645	13.4
1954	48,431	6,751	13.9
1955	50,056	6,914	13.8
1956	51,766	7,277	14.1
1957	52,162	7,626	14.6
1958	50,543	7,893	15.6
1959	51,975	8,127	15.6
1960	52,895	8,455	16.0

Source: 1961 Economic Report of the President.

ment, increasing to 17 percent in 1939. Data are not available for the years 1940-45. In 1946, State employment represented 13 percent of the total, the same proportion as in 1929. In the last decade, State

TABLE II
Summary of Public Employment, by Level of Government, 1929-60¹
(In Thousands, and Percentage)

Period	All government		Federal (civilian)		State and local government					
		Percent		Percent	Total	Percent	State	Percent	Local	Percent
1929	3,066	100	534	17	2,532	82	412	13	2,120	69
1935	3,477	100	748	22	2,728	79	521	15	2,207	64
1940	4,474	100	1,128	25	3,346	75	NA	NA	NA	NA
1945	6,556	100	3,375	51	3,181	49	NA	NA	NA	NA
1950	6,402	100	2,117	33	4,285	67	1,057	17	3,228	50
1955	7,432	100	2,378	32	5,054	68	1,250	17	3,904	51
1960	8,808	100	2,421	27	6,387	73	1,592	18	4,795	55

¹ The data for 1940-60 are as of October with the exception of the 1957 data which are for April. Other data are annual average.

Source: 1929-39 data: U. S. Department of Labor, *Monthly Labor Review*, February, 1945, p. 245. 1940-45 data: U. S. Commerce Department, *Public Employment in October 1954*. 1946-60 data: U. S. Department of Commerce, Bureau of the Census, *State Distribution of Public Employment in 1960*.

employment has accounted for between a sixth and seventh of all public employment.

Local government units are the largest employers of public employees. Only in three years in the survey period for which data are available—1946, 1951, and 1952—was their share less than 50 percent of the total. In the years 1929-33, local governments accounted for slightly over two-thirds of all public employment. Prior to the war years, they employed three-fifths of the total. The low point was in 1946 with 46 percent. From 1947-50, exactly half of all public employees were employed in local governments. The share dipped slightly as Federal employment increased during the Korean War. Since 1953, over half of all public employees were in local governments.

In 1930, three functions—public education, national defense, and post office operations—accounted for half of the three million persons employed by government units. Education employed about one out of every three public employees. One out of ten was in the post office operation. Defense activity at this time was a relatively small user of manpower, with approximately three percent of total public employment. By 1940, the "Big Three" employed over two-fifths of all public employees. Education employed three-tenths of the total. Defense activities required about six percent and the post office nearly eight percent.

In 1950, almost half of all public employees were engaged in these activities. Education accounted for over one-fourth of the total. Employment in defense activities now required almost 13 percent, double the 1940 proportion. The post office operations employed about the same proportion as in 1940. By 1960, together they employed over half of all government employees. Education employment had risen to over a third of the total. The defense activities accounted for about 12 percent and the postal system seven percent.

Other functions of government which are large users of manpower are highways, health and hospitals, natural resources, police protection and general control activities. The latter includes tax enforcement, other financial and general administration, as well as legislative bodies, courts, chief executives, and central staff agencies. Of these functions, health and hospitals require the largest number of employees.

FEDERAL EMPLOYMENT

The number of paid civilian employees in the Federal service rose from about one-half million in 1929, to 2.4 million in 1960, an increase of 400 percent. During this period, the executive branch consistently employed roughly 98 percent of all Federal employees. National defense and post office operations are the two functions of the Federal Government employing the largest number of civilian employees. In 1929, the post office department accounted for about half of all Federal employment; in 1960, it employed roughly a fourth of the total. Employment in this department increased 90 percent from 1929 to 1960.

The defense activities in 1929, employed 103,000 persons which was nearly a fifth of total Federal employment. During war years, 1943-45, over two-thirds of all Federal employees, were in the national defense program. The high point of defense employment was 1945, when 2.6 million persons were employed. About seven out of every ten Federal employees in 1945, were working in the defense program. One year later, with hostilities over, defense employment dropped to 1.4 million, which represented over half of all Federal employment. As the national economy returned to the production of civilian goods and "peace" had at last come, defense employment fell to a low of 753,000 in 1950.

The "cold war," the Korean conflict, international commitments, rockets, missiles, space explorations, etc. have all contributed to the increase of defense employment since 1950. In 1952-56, defense activities accounted for about half of all Federal employment. Since 1952, defense employment has been declining. From a post war high of 1.3 million in 1952, defense employment dropped to slightly over one million in 1960, or roughly two-fifths of Federal employment.

Since 1929, these two functions of the national government have accounted for a minimum of about half of all Federal employment (1936), to a high of four-fifths (1945). In 1929, and again in 1960, the defense activities and post office operations employed about two-thirds of all Federal employees. During the World War II years, about four-fifths of all Federal employees were employed in these two activities. By comparison, during the Korean War, they accounted for 70 percent of the total Federal employment.

The other functions of the executive branch such as health, education, and welfare, as well as conservation and gathering of statistics

TABLE III
Total State and Local Government Employment for Education
and Other Functions
(1929-1960)
(In thousands)

<i>Year</i>	<i>Total</i>	<i>Education employment</i>	<i>Education as percent of total employment</i>	<i>Other functions</i>
1929	2,532	1,121	44.3	1,411
1930	2,622	1,150	43.9	1,472
1931	2,704	1,160	42.9	1,544
1932	2,667	1,148	43.0	1,518
1933	2,601	1,122	43.1	1,479
1934	2,647	1,122	42.4	1,525
1935	2,728	1,152	42.2	1,577
1936	2,842	1,174	41.3	1,668
1937	2,923	1,206	41.3	1,717
1938	3,054	1,239	40.6	1,815
1939	3,096	1,267	40.9	1,823
1940	3,206	1,299	40.5	1,907
1941	3,320	1,363	41.1	1,957
1942	3,270	1,383	42.3	1,887
1943	3,174	1,361	42.9	1,813
1944	3,116	1,352	43.4	1,764
1945	3,137	1,353	43.1	1,784
1946	3,341	1,386	41.5	1,955
1947	3,582	1,468	41.0	2,114
1948	3,787	1,516	40.0	2,271
1949	3,948	1,585	40.1	2,363
1950	4,098	1,644	40.1	2,454
1951	4,087	1,677	41.0	2,410
1952	4,188	1,750	41.8	2,438
1953	4,340	1,856	42.8	2,484
1954	4,563	1,966	43.1	2,597
1955	4,727	2,061	43.6	2,666
1956	5,068	2,220	43.8	2,849
1957	5,409	2,402	44.4	3,007
1958	5,892	2,589	43.9	3,303
1959	6,088	2,745	45.1	3,343
1960	6,387	2,918	45.7	3,469

Source: 1929-57—*Historical Statistics, Colonial Times to 1957*, Series Y251-252. These data exclude nominal employees and they represent an estimated monthly average. 1958-60—Department of Commerce, Bureau of Census, Annual Report, *State Distribution of Public Employment* for 1958, 1959, and 1960. The 1958-60 data are as of October 31, for each year.

have also expanded in the last 30 years. These other functions utilized 169,000 employees in 1929, and 760,000 in 1960—a gain of 360 percent.

The making of laws and serving constituents have required an increasing number of employees. Employment in the legislative branch rose from 10,240 in 1929, to 23,886 in 1960, an increase of

120 percent. The significant increase in the level of employment in the legislative branch is due to the fact that the employees of both the general accounting office and the Government Printing Office are included. Both of these activities have required larger numbers of employees as Federal government operations have expanded.

Employment in the Judicial branch of the national government increased over 200 percent, from 1,598 in 1929, to 4,992 in 1960. While the number of Federal judges has increased slightly, the gains in employment in the judicial branch reflect the growing volume of litigation before the Federal courts, especially in the last twenty years.

STATE GOVERNMENT EMPLOYMENT

Between 1929 and 1960, employment in State governments rose from 412,000 to 1.6 million, an increase of about 300 percent. The number of employees almost doubled between 1929 and 1946, from 412,000 to 804,000. By 1960, State public employment had doubled again (See Table IV). Since 1946, State governments have consistently accounted for one-fourth of the total nonfederal public employment.

TABLE IV
Total State Government Employment for Education and Other Functions
(1946-60)
(In thousands, as of October 31, except as noted)

<i>Year</i>	<i>Total</i>	<i>Education</i>	<i>Education as percent of total</i>	<i>Other functions</i>
1946	804	233	25.2	572
1947	909	271	29.8	638
1948	963	286	29.7	677
1949	1,037	305	29.5	731
1950	1,057	312	29.5	745
1951	1,070	316	29.5	754
1952	1,103	336	30.5	768
1953	1,129	341	30.2	788
1954	1,198	359	30.0	839
1955	1,250	384	30.7	866
1956	1,322	407	30.8	915
1957 ¹	1,358	433	31.9	925
1958	1,469	467	31.8	1,002
1959	1,518	507	33.4	1,011
1960	1,592	539	33.9	1,053

¹ As of April 30.

Source: 1946-57 data: *Historical Statistics of the United States from Colonial Times to 1957*. 1958-1960 data: Department of Commerce, Bureau of Census, Annual Report, *State Distribution of Public Employment* for 1958, 1959, and 1960.

The largest single user of public employees in State government is education, especially the State universities and colleges. In addition, there are State departments of public instruction and State schools for special groups, for example, deaf, and blind. Together, the educational activities of State governments employed 233,000 in 1946, and 539,000 in 1960, an increase of 130 percent. The proportion of State employees in education has steadily increased from a fourth of the total in 1946, to a third in 1960. Four-fifths of the employment for this function in 1960, were in the State supported institutions of higher education. By comparison, they accounted for three-fourths of the total in 1952. Employment in these institutions increased from 259,000 in that year, to 437,000 in 1960, a gain of about 70 percent, which reflects their increasing enrollments.

Employment in other functions of State government has almost doubled since 1946, from about a half-million employees to one million in 1960. Among the other principal functions are included highway, health and hospitals, and conservation of natural resources, public welfare, and corrections employment security operations.

Of these functions, health activities require the largest number of employees, 334,000 in 1960. In recent years, the number of employees in this function has grown as a result of the states providing more extensive and intensive health and medical services, especially in the area of mental health. Highway maintenance and construction also employ a large number of persons, 240,000 in 1960. With the inauguration of the interstate highway system, the number of employees in state highway departments has been increasing.

LOCAL GOVERNMENT EMPLOYMENT

Local government units employed 2.1 million persons in 1929. Between 1929 and 1946, there was an increase of 600,000 in the number of employees. Since 1946, employment in local government has increased two million, from 2.8 to 4.8 million in 1960 (Table V). In the last three decades, local public employment has increased 130 percent.

The largest single user of manpower in local government is the public school systems. There were 1.2 million persons employed in local public education in 1946, and 2.4 million in 1960. While total local government employment increased roughly 70 percent since 1946, employment in the school systems doubled. In 1946, over two-fifths of all local public employees were in the educational system.

TABLE V

Total Local Government Employment for Education and Other Functions
(1946-60)

(In thousands, as of October 31, except as noted)

<i>Year</i>	<i>Total</i>	<i>Education</i>	<i>Education as percent of total</i>	<i>Other Functions</i>
1946	2,762	1,224	44.3	1,539
1947	2,880	1,258	43.7	1,622
1948	3,002	1,295	43.1	1,707
1949	3,119	1,352	43.3	1,767
1950	3,228	1,411	43.7	1,817
1951	3,218	1,443	44.8	1,774
1952	3,418	1,537	45.0	1,881
1953	3,533	1,607	45.5	1,926
1954	3,661	1,691	46.2	1,970
1955	3,804	1,784	46.9	2,020
1956	3,953	1,876	47.5	2,077
1957 ¹	4,249	2,028	47.7	2,221
1958	4,423	2,122	48.0	2,301
1959	4,570	2,238	49.0	2,332
1960	4,795	2,379	49.6	2,416

¹ As of April 30.

Source: 1946-57 data: *Historical Statistics of the United States from Colonial Times to 1957*. 1958-1960 data: Department of Commerce, Bureau of Census, Annual Report, *State Distribution of Public Employment* for 1958, 1959, and 1960.

The proportion employed in public education dropped slightly in 1947 and 1948.

Since 1949, the proportion has steadily increased. By 1960, every other local government employee was employed in the public education systems.

Educational employment includes administrators of school systems, principals, classroom teachers, consultants, office and maintenance personnel, dietitians and their staffs, school bus drivers, and school nurses. In addition, a very small percentage are employed in municipally controlled institutions of higher education; for example, 51,000 employees in 1960.

In the postwar period, total educational employment in the public school systems has increased far more than instructional staffs. Between 1946 and 1958, the former increased almost 75 percent from 1.2 to 2.1 million, while the latter increased over 50 percent from 867,000 to 1.3 million. In 1946, seven out of ten employees in local public education were instructional staff, as compared with six out of ten in 1958. Viewed another way, two-thirds of total educational

employment were classroom teachers in 1946, and approximately three-fifths in 1960.

The other principal functions of local government, especially municipalities and counties, include highways, health and hospitals, police and fire protection, conservation of natural resources (local parks and zoos), general control, public welfare, sanitation, water supply and other local utilities. There were 1.5 million employees engaged in these other functions in 1946, and 2.4 million in 1960. Employment in these functions increased by 60 percent as compared with a 100 percent increase in educational employment. In 1946, these functions accounted for almost three-fifths of total local public employment; but with the continuous larger growth in educational employment, they represented half the total in 1960.

Among these functions, police and fire protection requires the largest number of employees, 529,000 in 1960 as compared with 391,000 in 1952. General control activities also utilize the services of large numbers of employees, 382,000 in 1960. The local government health departments and hospitals have employed increasing numbers of employees in recent years, from 222,000 in 1952 to 345,000 in 1960. These three functions, together, have accounted for about a fourth of total local government employment in the last decade.

SUMMARY

Government employment has increased more rapidly than the population of the Nation. In the years 1929-60, the population of the country increased about 50 percent from 121.8 million to 180.7 million. Public employment during the same period increased from three million to 8.5 million employees, a gain of over 175 percent. Viewed another way, in 1929, there was one government employee for every 40,000 persons and in 1960, one for every 21,000. At the State and local government level, there was one nonfederal public employee for every 48,000 in 1929, and one for every 28,000 in 1960. If educational employment is excluded, there was one nonfederal public employee in all other functions for every 86,000 persons in 1929, and one for every 52,000 in 1960.

The population growth alone does not account for the significant increases in government employment during the last 30 years. At the Federal level, the defense program has become the largest user of manpower, a position formerly held by the post office department prior to World War II. To maintain the peace requires not only

adequate military strength, but a large number of civilian personnel possessing a wide variety of skills. The constitutional function, "to provide for the common defense," has taken on international dimensions. The role which the Nation must play in the defense of the free world has resulted in more human resources being allocated to this function of the Federal Government.

The growing complexity of the national government has also led to significant increases in Federal employment. These activities are well known and need not be reviewed here.

The increase in school enrollment in all levels of public education is not solely the result of population growth. More persons are attending the Nation's schools. Adult education programs are increasing in popularity. In addition, the school systems are providing more extensive educational and noneducational services. Taken together, these factors have created a demand for additional personnel to man the Nation's public educational system.

Between 1930 and 1960 student enrollment in the Nation's public elementary and secondary schools increased from 25.8 million to 36.3 million. In the same period enrollments of degree credit students in public controlled institutions of higher education rose from about a half million to almost two million. These total enrollments in the public educational system increased roughly 46 percent, from 26.3 million to 38.3 million. Educational employment in this system increased much more significantly, from 1.1 million in 1929 to 2.9 million in 1960, a gain of 160 percent (Table III). The proportion of employment in public education as a percentage of total state and local government employment, however, rose only slightly, from 44.3 percent in 1929 to 45.7 percent in 1960.

Population growth may help explain employment expansion in post office operations. The patterns of population mobility, likewise, have contributed to the rise in government employment. The population has been moving from the rural areas to urban centers and from urban centers to suburban areas of the large metropolitan cities. In 1960, about seven-tenths of the population lived in urban areas as compared with nearly three-fifths in 1930.² With a larger proportion of the population living in urban centers, the demand has risen for those government services usually provided by State

² U. S. Bureau of the Census, *Statistical Abstract of the United States: 1961*, *op. cit.*, p 23.

and local governments, for example, road and highway construction and maintenance, police and fire protection, sanitation health services, and recreational facilities. Many of these services were either not feasible or necessary in smaller communities. Population growth and shifts in mobility have exerted a quantitative impact on government employment; but in addition, citizens are demanding more and better services from their governments. This qualitative dimension to the demand for government services has further stimulated the expansion of public employment.

Another factor which helps to explain this expansion, is the very existence of over 102,000 local government units distributed in 1957 as follows: 3,050 counties; 17,215 municipalities; 17,198 townships; 14,424 special districts; and 50,454 school districts. Any discussion of whether this represents too many government units is beyond the scope of this paper. Their manpower requirements, however, are related to the quantitative and qualitative services rendered.

As for the future, the pressures for continued growth in public employment are already present. Aside from population growth, there are changes occurring within the population which will undoubtedly affect the demand for additional personnel in government employment. One brief example will suffice. There is a growing need for special services for the increasing number of aged persons. Urbanization, increased demand for health services, conservation of natural resources, to mention a few activities of government, will require more manpower. International tensions do not appear to be slackening. There is every reason to believe that the accelerated use of technological improvements will also have an effect on public employment.

Aside from defense requirements, the growth of public employment reflects the attitudes of the American people towards their government. It is a concept of government, which is the servant of the people, which they control, which aids them, and which serves their purposes. In the words of Lincoln, "the purpose of government is do for the people what they cannot do for themselves or cannot do so well for themselves." With such an outlook, public employment will continue to expand.

DISCUSSION

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I wish to take this occasion to comment on the general title of this session, as well as on the papers presented today. For it is of utmost importance to the maintenance of a proper balance in the affairs of the IRRA that adequate consideration be given to the attributes of economic trends, labor force developments, and industrial relations accommodations in particular industries. We talk much of the pluralistic character of our society, and the evidences of multifarious adaptations in industrial relations at industry and plant levels. This is the reply of the industrial relations expert to those who would apply all-pervasive approaches through legislation or broad policies to the gamut of industrial relations situations. Yet, IRRA programs frequently reflect the reaction to the immediate stimuli of the broad sweep, and the particular situation receives short shrift.

Even today, however, there is an implication in the title of the session that there is something "special." We are apparently supposed to be dealing here with special industries. I do not wish to appear to be carping at words here. What is involved in these papers is not so much special industries. Rather, this session deals with particular industry situations and their implications. Steel, automobiles, building construction, textiles, bakeries, are all equally particular industry situations. There are important attributes of similarity and differences in all industry situations. The significance of the broad sweep of legislation and collective bargaining trends is as much in the specifics of the application by the parties in particular industry and plant situations, as in the broad sweep. To shed light on the specifics will ensure a proper perspective in the broader areas of policy formulation and legislation. The IRRA has an important responsibility here.

The observations and analogies in the papers presented today underline my view that the morphology of these industry situations is equally applicable to the gamut of industry situations, and that these warrant regular, and not special, attention at meetings of the IRRA. The observation that secular forces are functioning in the maritime situation is equally applicable to railroads, mining, among others. International factors, though varying in the specific context

of individual industries, are important concerns, not only in maritime, but in such diverse industries as steel, autos and textiles. The in-plant vs. contract worker situation is not a special one. It is the product of broad factors, "economic, organizational, and technological," in the words of one of the authors today, which are operating in a number of industries.

Professor Hohman has indicated some of the intricacies of the maritime labor situation which in his analysis make the seaman's vocation different from that of other workers. He deals specifically with the domestic and international aspects of the complexities of the problem referred to in some quarters as "flags of convenience" and in others as "flags of necessity." As he points out, the maritime shipping industry is the most international of industries. The availability of alternative flag registries is a reality which U. S. maritime unions have had to face as there has been growing reliance in this country on imports of bulk cargoes. Couple this with the decline in ship passenger traffic and in domestic shipping, and the difficulties confronting the maritime labor force are clear. However, in dealing with the influences operating on the maritime labor force of the United States, the points of contrast and similarity with shoreside labor should not be overlooked. Thus, as Professor Hohman points out, there have been several decisions in which the National Labor Relations Board has found, in specific situations involving operations under Panamanian or Liberian flags that these are subject to the National Labor Relations Act on the basis of beneficial U. S. ownership and participation in the commerce of the United States. Parenthetically, the NLRB decisions appear to be more circumspect than the broad construction given in his paper. They are, of course, subject to final action by the Supreme Court. Collective bargaining has given seamen a status and specific benefits which are increasingly like those of their shoreside counterparts. Transport by air and sea are too facile these days to view the seamen in the jack-tar light of the sailing ship era. The requirements of mechanically propelled ships involve skills and training comparable to shoreside occupations. The international status of the seamen and the maritime industry are no longer exceptional—the extensive problems of trade and industry which confront us today reflect the growing interdependence of the world at large. The early awareness of the seamen's unions on the importance of international action to maintain and improve working

standards is matched by the activity of unions of shoreside workers in the international sphere.

Professor Kruger has provided us with a statistical exemplification of growing importance of governmental employment in the economy. Local, State and Federal Government employment has grown to accommodate to a variety of conditions—including population growth, shifts in population centers, defense needs, and increased provision for education and welfare. Government employment has increased much more rapidly in the last three decades than the civilian labor force—roughly 180 percent to 45 percent. The growth of government employment has been substantially greater than that in non-agricultural employment—180 percent to 75 percent. The statistical record is significant. There is need for consideration of the import of these developments for industrial relations developments. Professor Kruger's statistical analysis would be additionally helpful if statistical treatment were given to the specific types of activities which have grown, together with an analysis of the occupational structure involved in the growth of government employment. There is need, too, of continuing analysis of the developments in governmental dealings with unions. There is growing evidence that, as in industry generally, constructive employee relations in government are being formulated to meet the needs of the appropriate administrative organizations. This has been true of local government situations, as in Philadelphia and in the New York City teachers' situation. The formulation of a proposed policy to govern labor-management relations in the Federal Services by the President's Task Force is but another indication of the impact of the growth of government employment on labor-management relations. There are many aspects here which warrant study—the difficulties encountered in recruiting scientists and engineers; the proposals for adjusting the salary structure; the problems of organizing where there is a single employer, whose resources are determined by taxes and Congressional appropriations. These are only a few.

Professor Chandler's paper provides an interesting effort at a methodology for analyzing the elements which influence the alternative choices of the inside or outside labor force to perform industrial maintenance or construction work. The necessarily summary treatment in the paper precludes judgment of the methodology. Some of the tentative conclusions are of interest, however. Thus, the greater

extent of use of in-plant workers by continuous process industries, as against product fabricators, is of interest. Having made this statistical finding, Professor Chandler then proceeds to indicate that this, too, may be subject to change. The factors making for this change would appear to warrant analysis as much as the existing management practice. Particularly interesting is the finding that even where there were special agreements covering contracting out, management decisions to contract out in such cases were not necessary stimuli to union opposition. This was primarily a function of the size of the job and the number of men on layoff. In all, this study suggests the need for further study of the adaptability of the industrial and construction labor force and their unions to changing economic conditions. Does the present controversy between industrial and building trades unions represent an ephemeral conflict born of present employment conditions? There is need, too, for examination of the nature of management changes, both inside and outside the establishment, which bear on the conflict.

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Any newly emerging field of inquiry such as industrial relations goes through evolutionary stages. The early stages typically involve identification, description and classification of problems, attributes, variables and institutions. Later stages include development and testing of theories, relationships and functions, models and systems. The latter stages can be called "WHY" inquiries in contrast to "WHAT" and "HOW" inquiries of the more primitive stages. As I interpret the title of our session it is supposed to be concerned with what and how of specific labor forces.

Let me make plain my biases at the outset. We have been doing labor force measurement and analysis for about three decades. The results are pitifully meager for the effort expended. We need to shift gears and get into the "why" stage—a move long overdue. In the "why" stage we need better theories, better research design, and better evidence, preferably empirical.

Now to the papers immediately before us. I feel that Prof. Hohman did a thorough and capable job of compressing a mass of

data. He did what the program called for. It would have been helpful had he indicated profitable next avenues of inquiry, preferably of a segmental nature. Prof. Kruger also did a fine job with his compilation and analysis.

Prof. Chandler's paper went beyond the bounds of duty for this session. She started out in high gear and tackled an important, tough and complicated problem. She utilizes theories, models, quantification, prediction and testing. This is indeed a significant pilot study. As such it has important implications for additive future research. It also has limitations inherent in a significant pilot probe. I will spend most of my time criticizing her paper, not because the study is poor, but because of its significance. Most of my criticism is directed not at her findings, but at the research design, since the latter largely prescribes the former.

Prof. Chandler presents two studies, one of 74 plants, and a case history of one plant. She is concerned with inter-actions of inside and outside unions, and inside and outside managements. Very few data are available in her paper (no doubt due to space limitations). But it appears that her study would have been strengthened by having more data from both outside union and management groups, especially the latter.

One weakness of the paper, in my opinion, is the tendency to generalize and draw conclusions beyond the data presented. If these were suggested as hypotheses for future research rather than conclusions, I would be more satisfied. Thus, for example, her discussion of cyclical variability in contracting out, or her statement that there is a tendency to do work inside during prosperous times, seem precarious when one realizes that her data were gathered in a one year period (1957-1958) for the 74 firm study, and involve only a 9 month period in the case study.

It is difficult to assess her sampling and its adequacy. Was the sample 74 plants, firms, or establishments? This is not made clear. The significance of a stratified random sample is not apparent when the universe supposedly contained firms of over 1,000 employees, but 18% of the sample firms had fewer than this number. The appropriateness of her statistical techniques cannot be judged since we lack the original data of the basic distributions.

Her first study of 74 plants essentially seeks predictors of employment opportunities for inside or outside work forces. Four

major variables are tested as predictors. She found that firms that contract out: (1) are middle size in terms of number of employees; (2) are fabrication rather than process plants; (3) are located in an area of lower craft wage rates; and (4) do not have large (over 250 persons) inside maintenance and construction crews. A secondary finding, that in plants with large maintenance and construction crews, unions have more of a "voice" in the decision process is most murky and obscure because "voice" is not clearly defined other than fleeting and incomplete reference to a rating scale.

Study two is essentially a case history of one plant. Here we run into a familiar problem of the shifting frame of reference for "N". In the first study "N" was firms (74 cases) and in the second study "N" was decisions (30 cases) in a single firm.

Also we have a shift in variables. The stated variables in the case study are: (1) special agreements between management and union; (2) number of men on lay-off; and (3) amount of money involved in the contracting decision. It is stated that these are *potentially* significant as determined by the 74 firm study. But what, we might ask, happened to the *actually* significant variables when we move from the multi-firm to the single firm study? The case is referred to as typical, but it is not clear what this means. The firm is in processing (such firms contract out less); it is large, over 2,000 employees (such firms contract out more); it has a large inside maintenance force of 300 (such firms contract out less). The fourth variable, wage rate data, is not given.

The dependent variable in this case study is union objections to contracting out, although apparently this was not compared with general grievance level. Such lack of standardization apparently plagued the conclusions when several decisions were accounted for presumably by "generally high activity in the grievance area."

Here again the conclusions outrun the evidence. Part of the trouble stems from the fact that the variables rightly are described as complex. But they were *tested* as simple relationships. Figure 1 means practically nothing when it refers to only 1 of 4 significant variables. Would the picture be the same for either process or fabricating plants alone?

Figure 2 is interesting but that is all. It is limited to a peculiar, not typical, firm. It would have been much more than interesting if a cross-validation study had been made.

One other design problem has to do with criteria. In the present study effectiveness of the decision to contract out was judged primarily in terms of dispute avoidance, i.e., union objections. Perhaps a criterion of net cost would be more meaningful, although firms stubbornly refuse to gather and use cost data. Indeed a case can be made that it would be more appropriate to posit union objections as an independent, rather than dependent variable.

Now despite what I regard as a few deficiencies in design and analysis, the Chandler studies are important, insightful and suggestive. They represent bold, imaginative and highly desirable steps forward in our knowledge and understanding. They effectively clobber arm-chair generalities, speculation, and over-simplification. They provide clues for further research. Thus, for example, the finding that: "No relationship could be established between the existence of special agreements and plant union protest of the contracting-out of work," should be a wonderfully provocative stimulant to segmental study of this relationship.

In conclusion, the Chandler paper represents an excellent example of the kind of advance in concept needed if industrial relations research is to advance. We need more such courageous bites into our massive areas of ignorance.

HERMAN M. SOMERS

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Professor Kruger has assembled and analyzed a formidable volume of data which should prove helpful to students of the subject. However, I believe his study would have been even more useful had it aimed at more timely and challenging questions respecting the changing character and problems of the governmental labor force. The present issues do not seem to me primarily centered on the questions of total volume or distribution among agencies and levels of government. These conventional categories do not appear to be the most revealing in respect to the more difficult issues regarding the trends in government work forces.

I believe, for example, that extremely interesting results might be found in an examination of recent trends in the occupational structure among public employees. The requirements of advancing tech-

nology and the increased emphasis on scientific investigation have had at least as marked effect upon the character of federal employment—probably not as much at state and local levels—as in industry. The statistics indicating changing relative importance of different occupational categories, the rate of change, and the newer classifications, should be especially enlightening.

Another significant question about the structure of federal employment relates to the shifting proportions of public personnel in higher executive positions. Generally speaking, advanced technology tends to increase the relative need for higher level administrative personnel. A picture of recent trends in government would be instructive. In this respect data dealing with the probable proportionate increase in staff technicians, as compared to line personnel, would also be useful.

The old image of the government service as a vast army of clerks is, of course, obsolete. Governments now require a far more educated and skilled corps of employees, in occupational categories where there is relative scarcity. It would be very helpful to know how successful government has been in meeting its specialized manpower requirements.

The scarcity of skilled manpower has undoubtedly contributed to the tremendous growth of "contracting out" of employment. The relatively rigid salary scale in government has handicapped it in the competition for top level scientific, technical, and executive personnel. But it can often reach such personnel through contracts, who would not be available as direct employees. A contractor is not tied to the limits of civil service compensation levels. There have been, of course, other reasons for various forms of "contracting out," such as the alleged greater efficacy of private industry.

In any case, the contracting trend raises some questions about the meaning of the raw statistics on volume of direct government employment. Such data may now be misleading since contract employment is not recorded as government employment. The same function may be reflected in the payrolls and personnel figures for one agency, but be shown as only a contract purchase for another agency. In some cases the distinctions are arbitrary; in others they are real. The study of government employment trends, therefore, now requires more sources of data than the immediate personnel records and involves some delicate problems of definition and interpretation.

Professor Kruger calls attention to the sharp increase in state and local government employment. The distinctions between employment at various governmental levels is, however, also becoming somewhat blurred. The rapid growth of grants-in-aid programs and various programs providing for federal payment of state administrative costs, in whole or in part, have steadily multiplied the number of employees who appear on state and local payrolls but who are, in effect, paid from federal funds. It would, I believe, be extremely helpful to have a better picture of these trends and an interpretation of their meaning.

The steady expansion of government employment adds urgency to the need for gauges of personnel requirements. It is all very well for the sophisticated to refer knowingly to Parkinson's Law, but is it a law, or even an explanation, or is it largely a bit of charming nonsense? It is becoming clear that much more can be done to develop various measures of productivity, even in government, than was once supposed. Those interested in the public service may have to be more concerned in the future with the creation of more refined methods of justification of particular employment levels.

Professor Kruger concludes that the expansion of public employment reflects the attitude of the American people towards government as a servant which they control and which serves their purposes. I doubt that this is a major controlling factor. Comparisons with foreign government developments support such doubt. Moses Abramovitz's studies of public employment in Great Britain revealed that the aggregates there have moved up at approximately the same pace as in the United States. Trends in the major continental countries have not been very different from ours. Yet one would not claim that the attitudes towards government in all these countries is similar to that attributed to us. Presumably, in the United States, attitudes vary from administration to administration, and from state to state, but the volume of public employment moves upward rather inexorably.

I believe the real explanation lies primarily in a factor which received insufficient consideration throughout the paper—the role of technology. The fact is that advancing technology forces expansion upon all governments irrespective of alleged attitudes. As a result of technology, there develop an increasing number of unavoidable functions of a character which cannot be performed other than by government, and which demand manpower. Specific illustrations are to be found in every field from communications to air transport to

medical science to space exploration. Even the growth of national defense activities and concomitant personnel cannot be explained by cold war tensions alone. The tensions themselves reflect in part technological change. Moreover, even if tensions were to abate, advancing technology would still probably require both a larger and different kind of defense establishment than we've ever known before. While not to be discounted entirely, of course, it seems to me that government employment trends are not primarily affected by ideological views respecting public services. The demands of technology narrow greatly the boundaries of available decision.

Professor Kruger should be congratulated for his contribution to this difficult area of study. It is to be hoped that others will be encouraged to undertake investigations in this field of inevitably increasing importance, which unfortunately has been relatively neglected by students of the labor force.

Part X

**THE EVOLUTION OF WORK RULES
AND THEIR EFFECTS ON
EMPLOYMENT**

LOGIC AND MEANING OF WORK RULES ON THE RAILROADS*

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In any popular discussion of work rules in general, or railroad work rules in particular, one finds a consensus that many of these rules are "make-work" or, to use the more popular phrase, "feather-bedding." Even in discussions with economists and other students of labor relations there is a tendency to condemn or criticize many of these rules, particularly railroad working rules which have been subjected to a major propaganda campaign. This popular consensus, it seems to me, should challenge social scientists to look hard at the other side of the question. Is there any logic or meaning to the work rules on the railroads?

It is the purpose of this paper first, to emphasize that the working rules in the railroad industry are a response to the environment of the industry and second, to indicate that a failure to understand this environment might lead to erroneous conclusions as to the logic and meaning of the work rules in that industry. The entire paper will be concerned with the work rules of the railroad operating workers since it is these rules which are currently under study by the Presidential Railroad Commission.

THE SEMI-MILITARISTIC FORM OF ORGANIZATION

One important environmental characteristic of the railroad industry is its semi-militaristic form of organization. One writer has stated that:

. . . "the railroad industry is an authoritarian system. Semi-militaristic in its organization, it functions through the hierarchy of command with concentrated power in its general line officers. In railroading, numerous complex operations must be highly coordinated and reduced to the clocklike regularity of the time schedule. Flexibilities of policy are randomized through the daily drill of applying rules and regulations, in mechanical precedent fashion, so as to achieve what resembles automatic operation. The individual worker, like the individual bureaucrat, is, and feels himself to be, nothing more than a cog in the wheel of the

* My colleague, Monroe Newman, was kind enough to give me the benefit of his comments in the preparation of this paper.

transportation system. Within this authoritarian system human values may and often do shrivel and disappear. . . ."¹

In an award of the First Division of the National Railroad Adjustment Board a referee pointed out:

"This tenet of construction [of a contract provision] has not the same force in the railroad industry as it has where the parties have equal freedom of conduct. The railroad industry is quasi-military in the sense that an employee must generally obey orders of his superior and make complaints afterwards if he thinks the rules have been violated."²

It is in the framework of this semi-militaristic environment that one can see the necessity for developing a set of rules on the part of employees which will prevent management from acting in an arbitrary and capricious manner. The effect of this aspect of the environment can be more fully appreciated if one takes into account the second environmental factor—the relatively greater hazards of employment and the emphasis on safety.

HAZARDS OF EMPLOYMENT

The railroads, as well as the workers, are vitally concerned over the safety of their employees and the public, as well as the protection of their equipment and the goods being shipped. This concern over safety will, of course, require the officials of the company to enforce safety rules.

The authority of management in the railroad industry is based on the rules of the operating departments which usually contain the following admonition with respect to obeying the orders of superiors:

"Employees must yield a willing obedience to the orders and instructions of their superiors and render strict performance of duty. It is required that employees must not be insubordinate. . . ."³

The so-called "book-of-rules" contains, for example, the following general rules:⁴

"Safety is of the first importance in the discharge of duty."

¹ Joseph Lazar, book review of *Collective Bargaining in the Railroad Industry*, by Jacob J. Kaufman, in *Yale Law Journal*, Vol. 64, No. 5, April 1955, p. 791.

² Award 9217, National Railroad Adjustment Board, First Division, 1944, *Brotherhood of Locomotive Firemen and Enginemen v. Wabash Railroad Co.*

³ The Delaware, Lackawanna, and Western Railroad Company, *Rules of the Operating Department*, Effective April 27, 1952, Rule "R," p. 10.

⁴ *Ibid.*, pp. 6-10.

"Obedience to the rules is essential to safety."

"In case of doubt or uncertainty, the safe course must be taken."

"Employees must exercise care to avoid injury to themselves or others."

General regulations for employees contain the following:⁵

"Conductors are responsible for the safe movement and general operation of train and engines and for the vigilance and conduct of the men employed thereon."

"The safety of the train and passengers are in his (passenger conductor) keeping. . . ."

These excerpts from the "book of rules" reveal the concern of the railroads with respect to safety, and any violation of these safety rules subjects the employee to suspension or discharge.

The impact of safety on the labor problem in the railroad industry does not become clear until it is recognized that the main purpose of the industry—the rapid movement of people and goods from point to point—is difficult to realize unless safety rules are broken. Putting it another way, the railroads could not operate efficiently if the employees obeyed the safety rules literally.

This situation presents a railroad worker with a dilemma: to follow the rules literally could bring the operations of the railroad to a virtual standstill and could invoke the displeasure of supervision, but to violate the rules may, from time to time, result in an accident or injury, and might subject the railroad workers to disciplinary action. Generally speaking, the latter procedure is followed and the result is that there are frequent charges of safety rules' violations.

The fact is that in numerous cases before the National Railroad Adjustment Board, First Division, it has been held that employees must comply with the instructions of supervision. In situations where it is alleged that insubordination has taken place, the refusal of the employee to obey the instructions of the carrier can be defended on the grounds either that the contract is being violated or that the action may endanger his life or limb. With respect to the former situation the First Division has held:

"To sustain this claim would simply be to condone an employee's taking the law into his own hands to enforce what he considered to be his contractual rights instead of following the contract procedures to obtain redress for a violation thereof. It is well settled

⁵ *Ibid.*, pp. 175-177.

that the Carrier has the authority to direct the working force and if an employee considers such directions as violative of his contractual rights he nevertheless has the responsibility to perform the service as directed and has a contractual right to file a claim of grievance to obtain redress for the alleged violation; to hold otherwise would make each employee the final arbiter of his own interpretation of the agreement which could only result in chaos.”⁶

Although such a principle is generally true throughout industry, one generally finds in other industries an opportunity to resolve the issue “on-the-spot” among the supervisor, the shop steward, and the worker. In the railroad industry, however, given the nature of the work place for operating workers—essentially a variable work place—(which will be discussed below) such immediate resolution of the dispute is not possible.

If the defense against the charge of insubordination is concerned with the “safety” factor, the First Division has held that if a worker refuses to obey the instruction of management on the grounds that the performance of the act might endanger his life or limb, the burden of proof that this likelihood existed rests with the employee.

In one award the First Division stated:

“To successfully defend against the serious charge of insubordination, however, a claimant must show that at the time of the alleged act of insubordination, he demonstrated or offered to demonstrate that the act required of him was violative of Federal regulations . . . or, as here, that it would require him to perform a service under conditions violative of the operating rules. In other words, at the time of the act of alleged insubordination, he must take affirmative action, by way of explanation or justification, to protect himself against future liability.”⁷

In this type of situation, which is relatively different from that found in other industries, it is natural for the unions to seek protection against arbitrary and capricious actions of management, in the form of provisions in the contract for “fair and impartial” hearings. Needless to say, there has been built up a substantial body of law on this subject, designed to protect the workers.⁸

The relative incidence of discipline among the operating employees

⁶ First Division Award, 14972.

⁷ First Division, Award 19492. (May 1960)

⁸ See Joseph Lazar, *Due Process on the Railroads*, Revised Edition, Institute of Industrial Relations, University of California, Los Angeles, 1953, Monograph Series: 1.

is revealed in a study which showed that during the first fifteen years of operation of the National Railroad Adjustment Board the operating employees were involved in 64 percent of the discipline cases although they constituted only 26 percent of the work force.⁹

With respect to the rules and procedures involving discipline cases one can also make the charge that the procedures are elaborate and complex, thereby reducing the flexibility and efficiency of the railroads. This proposition has not been put forth by the railroads but there can be no doubt that the particular environmental characteristics of the industry do give rise to special rules and procedures, which are somewhat more complex than those found elsewhere.

VARIABLE AND MOBILE CHARACTER OF THE WORK PLACE

A third significant characteristic of the railroad environment, particularly in the operating end of the industry, is the variable and mobile character of the work place. On the road, the train and engine crews are moving with little management supervision and, in a great many yards, the yard crews are frequently carrying on their activities with limited supervision. Such a work place, in the opinion of one writer :

" . . . clearly requires a range of rules not involved normally at the fixed work place. Where the work place itself is in motion, as in the transportation industries, a complex of specialized rules relate to this movement, speed, route, schedule, manning, safety, and emergencies. Regardless of how these operating rules are set . . . special rules regarding the relations of managers and workers arise concerning supervision, special methods of compensation, rights to free transportation, manning schedules, hours, meals, lodging, and other problems posed by a mobile work place." ¹⁰

Under these conditions a collective bargaining representative, the union, would find it essential to have extensive collective bargaining arrangements with management in the form of a variety of working rules. Similarly, these environmental conditions would call for vigorous enforcement of the rules in view of the greater number of possibilities for the violation of the rules. Though the demand of

⁹ See Employees Rebuttal Exhibit No. 79, before the President's Emergency Board involving the Conductors' and Trainmen's 1949 Rules Movement, pp. 34-35.

¹⁰ John Dunlop, *Industrial Relations Systems*, Henry Holt and Company, New York, 1958, p. 36.

management for more flexibility and unilateral handling of situations which may arise may seem reasonable on the surface, a careful analysis of the problem reveals the importance of maintaining a bi-lateral relationship. Otherwise, the possibilities for abuse become enormous.

VARIABLE WORK FORCE

In addition to a variable work place, there is in the railroad industry a fourth significant environmental characteristic, namely, a variable work force, reflecting to a large extent the irregular operations of the railroad industry. As the same writer referred to previously has noted:

"A stable or variable work force is one of the most significant conditions affecting the complex rules of an industrial-relations system. The rules concern hiring and temporary or permanent layoffs. The questions are of greater interest to all participants in an industrial relations system. . . . These decisions vitally affect costs and the managerial role; at the same time they are central to the degree of employment security of workers."¹¹

The operations of a railroad system require that workers be on call for duty as the needs of the railroads require. Thus, the railroad labor force tends to be larger than the immediate needs of the railroads, since the railroads cannot, at a moment's notice, recruit workers to operate the trains. Thus, during 1960, there was a ten percent difference between the "mid-month" count and the number of employees receiving pay, indicating the *minimum* extent to which the labor force is larger than the immediate needs of the railroads.¹²

Under the rules of the railroads "employees must not be absent from duty without permission, . . . they will be required to reside where the necessity of the railroad demands."¹³ Failure on the part of employees to keep themselves in readiness for duty and to respond, if properly rested, to calls for service when seniority entitles them to be called might subject the employee to disciplinary action.¹⁴ In one First Division case an employee was disciplined because he was not at home when called by the railroad. The Board stated that "This Division is fully in accord with the principle that carriers are entitled to information as to where operating employees can be reached during layovers. . . . To ask this is not unreasonable."¹⁵

¹¹ John Dunlop, *op. cit.*, p. 42.

¹² Interstate Commerce Commission, Statement M-300, Calendar Year 1960.

¹³ Rules of the Operating Department, *op. cit.*, p. 9.

¹⁴ First Division, Award 16092.

It becomes quite apparent that the existence of an extra list to meet the irregular demands of the railroads and the requirement that these workers be available for work when called require work rules of considerable scope in order to allocate, in an agreed manner, the limited job opportunities available and in order to prevent any personal discrimination or favoritism on the part of the railroads. Thus, the seniority principle becomes exceedingly important in the railroad industry.¹⁶ Any scheme whereby the seniority principle is destroyed is a scheme whereby the job opportunities of those who have waited for years for a more permanent, regular job are eliminated and whereby the opportunities for personal discrimination become greater. It might be noted in passing that the rules governing the work of a particular craft are closely allied to the seniority principle. It is on the basis of seniority that the operating worker in effect accumulates rights to a job. The destruction of craft lines is in effect the destruction of the job right.

TRAINING AND EXPERIENCE

A fifth important characteristic in the operating end of the railroad industry which stands out in sharp contrast with other industries is that the men connected with the train and engine service can acquire their skill, training, and experience solely on the railroads. Although this is true to some extent in other occupations, there are no comparable occupations from which the railroad industry can draw men of this quality. This factor, in part, supports the point made previously that the railroads must maintain a residual labor force to take care of the irregular demands of railroad service.

On the other side of the coin is the fact that the skills of these workers find little counterpart in outside industry. Thus, men who have devoted years to railroading, moving to locations required by the carriers, where there may be little other employment, assuming a "stand-by" position for years, and being assigned the unrewarding and undesirable assignments, have found themselves in a situation where their skills are no longer needed by the railroad industry and are not required by outside industry. Hence, the desire for work rules that protect employment opportunities.

¹⁶ First Division, Award 16999.

¹⁸ William Z. Ripley, "Railway Wage Schedules and Agreements," in *Report of The Eight-Hour Commission*, Washington, Government Printing Office, 1918, p. 305.

THE RELATIONSHIP OF THE WORK PLACE AND RESIDENCE

A sixth characteristic of the railroad environment is the complicated relationship between the work place and the residence of the employee. As pointed out earlier, the unilaterally issued operating rules require workers "to reside where the necessity of the railroad demands." A significant portion of railroad operation is carried on in areas of small populations. In many instances, communities grew up solely for the purpose of meeting the needs of railroad operations. Despite the high degree of occupational immobility thus imposed on operating workers located in such communities, many of them are highly mobile in their work place and frequently find themselves "away-from-home," awaiting a return assignment.

Such situations obviously will require a complete set of rules designed to protect these workers against arbitrary and capricious actions of management either in terms which affect their permanent employment opportunities or in terms which affect the assignment of tasks. Here, too, the entire question of seniority comes into the picture—the impairment of seniority rights can be seriously destructive of the economic security of operating workers.

LOCAL VARIATIONS IN PHYSICAL CHARACTERISTICS

A seventh characteristic of the railroad industry is the existence of some variation either in operations or in the physical characteristics of certain properties. The fundamental question arises as to whether, because of this variation, a national rule should be destroyed and the application of a rule be made unilaterally by management or whether these special situations could be negotiated on the properties on the basis of bi-lateral negotiations without destroying the national rule.

The question of national versus local handling of issues has a long and complicated history. Prior to World War I, there was a great deal of employee dissatisfaction with the lack of uniformity with respect to wages and rules, with management opposing standardization.¹⁷ Standardization was applied during World War I, under government operation.¹⁸

In an analysis of the arguments of the carriers and the unions, one finds a strong feeling on the part of the carriers that extreme

¹⁷ H. D. Wolf, *The Railroad Labor Board*, The University of Chicago Press, Chicago, 1927, p. 32.

¹⁸ *Ibid.*, pp. 63 ff. See also pp. 170 ff. for arguments of labor and management on this issue.

variations on the different railroad properties precluded the use of national rules and agreements, while the unions sought national rules. This conflict continued even after the passage of the Railway Labor Act on 1926, particularly with respect to the establishment of a national board of adjustment. It was not until the 1934 amendments were enacted that such a national board was established.

The point to this is that at the present time the carriers again seek the elimination of a national rule and the right to make a unilateral determination of the conditions under which certain work rules might be implemented. The unions, on the other hand, think that if there are certain inefficiencies in the application of certain national rules the exceptions to the general rule should be negotiated on a local basis, not unilaterally, but bilaterally. There is some evidence that the unions have been willing to make concessions to the demands of the carriers who seek greater flexibility of operations. The negotiation of switching limit rules in 1950 and 1951 is one illustration. The establishment of inter-divisional runs on some railroads on the basis of the 1951 agreements is further evidence. The willingness of unions to negotiate arbitraries or special allowances if and when—in certain instances—craft lines are crossed over is also to the point. The increased number of Special Boards of Adjustment to handle large dockets of grievances on particular railroad systems also supports this view.

In the steel industry, and just recently in the auto industry, we saw the application of the principle that national agreements can be negotiated and then individual agreements at particular plants can also be negotiated, to take into account the varying conditions and characteristics of the individual plants.

The carriers might argue—and indeed they have—that they have attempted to bargain with the unions on problems on individual properties, but that the unions have been adamant and refuse to make any adjustments. It seems to me that to the extent to which there is some basis to support this position, the solution is not the elimination of a general rule and giving management the unilateral right to do as it sees fit. The solution is, rather, a re-establishment of the collective bargaining process between the parties.

In fact, one of the significant contributions that the Presidential Railroad Commission could make towards the resolution of many aspect of the current dispute between the carriers and the labor organizations is to help re-establish an atmosphere of free collective

bargaining in the industry. This would provide an opportunity for long-run solutions rather than short-run answers which might not be a foundation for long-run labor peace.

INCREASED COMPETITION IN THE TRANSPORTATION

An eighth characteristic arises from the general agreement that the railroad industry has changed significantly over the years from one in which it substantially had a monopoly in long haul transportation to one in which it is highly competitive with other forms of transportation. In this connection, it would seem that to the extent to which this is true is the extent to which the management and the unions in the railroad industry can revert to collective bargaining, via the procedures under the Railway Labor Act, without fear of governmental intervention after the procedures have been exhausted.

It is important that a distinction be made between national wage and rules changes and proposals for changes in the contract affecting only a particular railroad system. In the latter instances—changes affecting a given carrier—it would be extremely desirable to allow the collective bargaining process, without third party intervention, (except for mediation) to resolve the dispute. In the long run we would find labor-management conflict reduced. The statement made in the so-called Livernash Report on the steel industry is impressive:

“Free collective bargaining necessitates the right to strike. The cost of strikes must be kept in perspective. The freedom to strike is in our society the major deterrent to strikes. . . . Fundamentally, it should be recognized that the pressures upon the parties are substantially irresistible when a strike reaches a critical stage.”¹⁹

SIZE OF ENTERPRISE

A ninth characteristic of the railroad industry is the size of the enterprises involved. It has been asserted that “The larger the enterprise, the more necessary formal rules and the more complex the formal grid of communications within the hierarchies of the managers and workers and between them.”²⁰ In such settings, each situation calls for “specialists or professionals” to handle the rule making and administration.²¹ Such large enterprises tend to have many work places which “require balancing local conditions against enterprise uniformity in rule setting.”²²

The environmental characteristics of the railroad industry have

¹⁹ *Collective Bargaining in the Basic Steel Industry*, U.S. Department of Labor, January 1961, p. 49.

been set forth in some detail in order to indicate that the working rules reflect these characteristics and can only be understood in the light of them. The extensive number of working rules, the need for vigorous application of these rules because of possible personal discrimination, the variations in the characteristics of particular roads and particular localities which require local handling on a bilateral basis, all reflect this environment. Failure to comprehend these environmental factors and to insist that work rules be evaluated simply in terms of efficiency and costs can lead to serious misunderstandings of the content and process of collective bargaining in the railroad industry.

ADDENDUM *

In setting forth nine variables in the economic and physical environment of the railroad industry it is not contended that each *one* is unique to the railroad industry. It is also quite evident that we can find industries which may have one or more of these characteristics. What is being suggested is that *all* of these variables are found in the railroad industry and that there are qualitative differences in the extent to which they might apply to the railroad industry. To repeat: these variables help us to understand the work rules. Without this understanding changes in the work rules become difficult. The illustration of work rules in the university environment (which was referred to in the oral presentation) was designed not to be critical of the college teaching profession but to point out that to an outsider these rules may appear ludicrous unless he had a full understanding of the environment of the university, its aims and objectives. As far as the work of the Presidential Railroad Commission is concerned, as was stated in the discussion following the presentation of the papers and comments, the railroad labor organizations were interested in having the Commission operate as a study group rather than as a super-emergency board. The railroads insisted on this type of procedure and the labor organizations reluctantly went along with it. Regardless of the experience of others, any suggestion that the railroad labor organizations were victims of the experts that surrounded them is contrary to fact. The repeating of statements on the so-called "tyranny of the expert" does not make the statement true.

²⁰ Dunlop, *op. cit.*, p. 81.

²¹ *Loc. cit.*

²² *Loc. cit.*

* Comments on William Gomberg's discussion.

THE GENERAL PROBLEM OF WORK RULES

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The problem of work rules can, as one approach, be discussed from a narrow point of view. The question can be put as to whether or not a particular labor agreement provision, or a particular unwritten work practice, is or is not reasonable. The issue is whether or not the rule or practice in question does in fact add meaningfully to the employer's cost, and, if so, whether or not the gain to employees in added security or benefit does or does not offset the added cost to the employer. Taking this approach we find ourselves engaged in a form of marginal analysis attempting to balance social gain and job protection against economic cost.¹

This marginal balancing of benefits and costs, in spite of the apple and orange comparisons that typically are involved, can be interesting and significant providing it is done with sufficient knowledge and insight to shed light upon quite specific controversies and issues. This narrow approach is also the traditional manner in which one party challenges the other. However, this form of analysis, when carried out from a general point of view and divorced from quite specific issues, can frequently lead to somewhat fruitless arguments over management rights and union objectives. Furthermore, the major issues with respect to the reasonableness of work rules have been made many times in the literature.

A second and broader approach, which can be more varied in content, considers the meaning and significance of the entire "web of rules" which collective bargaining creates. This broader approach may retain a "reasonableness" framework, as in an article by Solomon Barkin, but give emphasis to broader determinants, such as, the rate of growth of employment opportunities and the relationship between the parties.² It may, as in a paper by William Gomberg, seek to analyze the philosophical basis for conflict, and the implications for dispute settlement procedures.³ It may work toward a theoretical

¹ It is also possible to assume unnecessary added employment and analyze the economic consequences as in Paul A. Weinstein, "Featherbedding: A Theoretical Analysis," *The Journal of Political Economy*, August, 1960, p. 379.

² See, for example, Solomon Barkin, "Work Rules: A Phase of Collective Bargaining," *Labor Law Journal*, May, 1961, p. 375.

³ William Gomberg, "The Work Rules and Work Practices Problem," (IRRA 1961 Spring Meeting), *Labor Law Journal*, July, 1961, p. 643.

explanation of the substance of work rules as in John T. Dunlop's *Industrial Relations Systems*.⁴ These broader and varied approaches to the entire "web of rules" provide considerable insight into the process and substance of collective bargaining. They tend to give perspective to the total contribution of collective bargaining relative to some degree of inherent economic cost. They do not, however, typically deal very directly with the question of efficiency.

Neither the narrow nor the broad approach to work rules appears altogether satisfactory in considering in general terms problems relating to efficiency. Also, the literature contains a good many significant contributions from these various work-rule points of view. This paper will, therefore, attempt to analyze some facets of the problem of efficiency under collective bargaining and relate this analysis to the process of the negotiation and administration of labor agreements.

Continuous dynamic change in the economy is the dominant source of the work-rule problem as it relates to efficiency. Collective bargaining may in some degree prevent or slow down technological change. I intend to make only a few remarks with respect to this dimension of labor productivity. Employee efficiency, as distinct from output per man-hour, is determined essentially by two variables: (1) the level of effort or performance with its consequent manning requirements, and (2) flexibility in the use of manpower. The average level of effort or performance is clearly a most important competitive variable from plant to plant and company to company. Flexibility in the use of manpower is also an important variable. Flexibility, however, has many aspects. Seniority provisions, scheduling provisions, wage provisions, job and employee classification provisions, and, for that matter, many substantive aspects of the contract involve some form of work assignment restriction which reduces flexibility in the use of manpower and adds in some degree to labor costs. This paper is concerned primarily with these two variables affecting employee efficiency, that is, the level of effort with its consequent manning requirements and flexibility in the use of manpower. I wish, first, however, to make a few remarks with respect to technological change.

There is today little announced or practiced direct prohibition of technological change as such. What can be observed is partial adjustment to such technological change as has in fact taken place. Partial adjustment takes various specific forms, but these forms are essen-

⁴ Henry Holt and Company, New York, 1958.

tially included within the two variables already noted which affect employee efficiency. Partial adjustment is equivalent to some lowering of the effort or performance level with consequent excess manpower and/or added inflexibility in the use of manpower.

Anticipation of only partial adjustment to technological change may well prevent some technological change. For example, had managements in northern textile companies been as free to make work-load adjustments in the immediate postwar period as they have been in recent years, investment in new equipment might well have been greater. Again, though the matter is speculative, inability to take full advantage of potential labor savings probably prevents many more small changes in methods and equipment than major changes. Small changes may not be worth the struggle required to make them reasonably effective.

Obviously, as mentioned, all that can be observed, apart from a very few instances of outright prevention of new methods, is partial adjustment to change. It would seem reasonable to assume, however, that in union-management situations in which we observe quite complete adjustment to change there would also have been little or no prevention or delay of technological change. On the other hand, in situations with considerable incomplete adjustment to such change as has taken place there may well have been failure to make change. The major point, in other words, is that ability to adjust quite completely to technological change is probably in some degree a positive determinant of change. The reverse logic may be stated. It might be argued that relatively high labor cost associated with some type of labor inefficiency encourages the substitution of machines for men. But, while relative cost is a factor in substitution, inability to adjust to change in a dynamic sense reduces or eliminates the incentive for change. It at least appears to be true that management allegations of inability to make change are commonly associated with union-management situations exhibiting partial adjustment. Ability to adjust to change probably encourages change.

II

The major variable in employee efficiency is the level of effort or performance with its consequent manning requirements. The level of effort established in a plant is an important determinant of labor cost and capital cost per unit of output. It is an important con-

sideration in competitive position. Just how important can be illustrated by an extreme case in which one automobile assembly line required somewhat in excess of three times the man-hours per unit of product required in a quite comparable competitive plant. This particular example is only of historical interest. After a change in management, and some turbulence in union-management relations, output per man-hour was increased by more than 200 per cent in a period of a few months. The example is cited, however, because there appears to be insufficient appreciation among labor relations students of the significance of variations in the level of effort and performance which exists in different plants and companies. Such variations appear to be at least as important and at times considerably more important than competitive differences in wage levels.

If it is acknowledged that variations in the effort and performance level are of considerable competitive importance, the question arises as to the extent to which this level is determined by work rules as commonly defined. In approaching this question it should be recognized that in some situations technology requires that manning decisions be made directly. Crew size or gang size or man-machine ratio determinations must be made under certain technological conditions. Under collective bargaining in these technological situations crew sizes, gang sizes, and man-machine ratios tend to be negotiated directly. A clear-cut work rule is thereby created. These technological conditions provide the framework for many work-rule controversies, but it is the character of technology which brings these work rules into being and into the work-rule limelight.

It may be true that it is more difficult to adjust to technological change under collective bargaining when technology requires direct negotiation of manning than when manning is determined indirectly. It appears especially difficult to revise these manning determinations when virtually industry-wide standards have been created. In any case, as in other types of adjustment, the serious problems are created by failure to revise such standards over a substantial period of years with the consequent accumulation of vested interests and the consequent necessity to make quite drastic revisions.

There are, however, relatively few technological conditions in the economy which pose the problem of the direct negotiation of manning. In the preponderance of union-management relationships the level of effort and performance is established through individual or other

production standards, formal or informal in character, and manning is the indirect result of production standard determinations and the work performance of individuals. Under these latter conditions of technology there are various methods of employee compensation, various methods of determining production standards including the absence of formal standards, various controls over the level of employee performance, and wide variations in actual levels of performance in different plants.

A primary reason for taking the subject of labor efficiency as a focus for the discussion of work rules was to have the opportunity to emphasize how inadequate the specific work rule approach is in explaining or even reaching the variables affecting the level of employee performance under most technological conditions. Differences in labor agreement provisions will not explain any significant number of differences in the level of employee performance. Differences in specific work practices will not explain many differences in levels of performance.

To be sure, management is challenged through the grievance procedure and outside the grievance procedure on the decisions it makes with respect to production standards and employee performance. These challenges may gradually bring about considerable deterioration in the level of performance and a consequent increase in manning. Instances of extreme deterioration, whether under wage incentive, measured daywork, or informal determination of performance levels, are commonly associated with a history of wild-cat strikes or other pressure tactics. This commonly found association, however, only reaches back to a variety of questions concerning management policy and practice, union policy and practice, and the various environmental forces which continuously influence the parties.

A satisfying explanation of differences in performance levels is most difficult to achieve. Some plants have been started with a good performance level, have had well planned production scheduling and other elements of good production management, and have met with little employee or union challenge in maintaining employee efficiency. Some plants have met some union challenge but their major deficiencies appear to have been relatively poor management policies and practices. Finally, some managements have had a particularly difficult task because of extreme militancy on the part of local unions. All of these variables simply cannot be adequately portrayed under the typical scope of the work-rule concept.

I intend to comment subsequently on the question of the restoration of efficiency. There is, however, an interesting contrast between the manner in which efficiency is lost and the manner in which it is regained. The loss of employee efficiency is through union aggression and management weakness in contract administration. Countless small concessions in production standards, no one of which is of much significance to management, have a cumulative effect over a period of years gradually creating a high-cost plant. To some degree there can be and has been a parallel process of restoring efficiency through the gradual process of tightening standards. However, the process of restoring efficiency through contract administration is frequently either inadequate or virtually impossible. High cost may have created an economic crisis demanding rapid action. Even if the crisis dimension is not present, planned revision of the entire standards system is typically desirable. This requires negotiation which typically is very difficult.

Many such negotiations are in a pattern following context with almost no opportunity to bargain for improved efficiency in return for economic concessions. This implies that management must take a rather rigid position insisting upon a plan to restore efficiency even though the chances are high that such a position will lead to a strike. Pattern setters have a much greater opportunity to negotiate union concessions in return for economic gain. American Motors—UAW behavior in the recent automobile negotiations illustrates the point. By assuming a leadership role in the negotiations, American Motors was able to achieve significant union concessions in return for a favorable economic settlement. Had American Motors been negotiating relative to a fixed pattern their position would have been greatly weakened. The contrast, however, is between the process of the gradual deterioration of the level of performance through day-to-day administration and its restoration only through a very difficult negotiation procedure frequently with crisis dimensions.

III

Flexibility in the use of manpower has similarities and differences when compared with the level of employee performance. It differs in that it has many specific dimensions related to many substantive parts of the labor agreement. It differs in part as some restrictions on flexibility are negotiated provisions. It is similar, how-

ever, in that many restrictions on the use of manpower have developed through day-to-day administrative decisions. Also, there is the fundamental similarity that explanation of the problems must reach into variations in management policy and practice, union policy and practice, and environmental factors.

Managements have differed in the degree to which they have sought and achieved contract provisions which minimized costly restrictions. Even more significant have been management variations in the degree to which they have developed administrative policies and procedures to supplement contract provisions. It has been lack of such supplementary policies which have led to filling these gaps by unplanned custom and practice through day-to-day resolution of grievances.

The area of seniority is perhaps particularly illuminating. Many seniority systems have grown like Topsy essentially without benefit of over-all planning. Contract provision has been added to contract provision creating complex but not particularly satisfactory systems. On the other hand, some systems have been planned or revised in quite statesmanlike fashion. It is the unplanned systems which are likely to develop wholesale bumping, high internal turnover, and excessive training costs. But contract provisions rarely portray the seniority system in anything approaching full detail. Through custom and practice seniority can spread into pervasive domination of promotion, temporary layoff, temporary transfer, and into assignment of specific work tasks. The cumulative effect of such restrictions can be quite costly relative to the benefits received by employees.

Laxity in the administration of job evaluation illustrates another type of situation. Job content is changed but the job description is not revised and no review of the appropriate wage rate takes place. There would be no employee protest provided the job had been simplified. An employee's work assignment is changed but he is not reclassified into the appropriate job classification. Under these kinds of laxity in administration various inappropriate vested interests are created. The wage structure develops distortions as does work assignment. Subsequent revision will not only meet resistance but revision may well not be allowed in arbitration because of the company's established practice.

A glass tableware plant which had operated for many years with inadequate labor relations policies finally surveyed its work practices.

It found in excess of 200 agreed-upon practices most of which were felt to be inappropriate and costly. These practices, which dealt with a wide variety of substantive issues, were essentially unknown to higher management. A lengthy strike resulted from management's attempt to eliminate and revise these practices. The strike was portrayed in the press as a strike over a management rights clause. In fact, the strike settlement, while changing the management rights clause, involved detailed negotiation over many issues. One steel plant had about this same number of codified local agreements. Many of them related to the seniority area. Others varied widely in substantive content. A second steel plant which had been working for some five years in the development and improvement of its labor relations policies and their administration was essentially uninterested, from its own internal point of view, with the famous 2xB (2B) issue.

What can be said, so far as general principles are concerned, with respect to this wide range of issues which bear upon flexibility in the use of manpower? In the first place, there is a tendency for work rules or practices to proliferate in given substantive areas over a period of years. In the second place, the substantive areas of greatest proliferation will be influenced by the technological and economic environment. For example, scheduling rules will be more significant on an airline than in an industrial plant, but more important in a three shift plant than a one shift plant. Wage administration will be more complex under incentive than daywork. Jurisdiction is more difficult with craft than noncraft groups. The waterfront is preoccupied with hiring. The incidence of the proliferation of rules and practices is an interesting subject in and of itself. In the third place, the form of the rules or practices varies with the substantive area with some areas tending toward formal rules or practices and some toward informal determinations. In the fourth place, it is difficult to use a single label for this characteristic development. The troublesome situations often tend to be the unplanned and unstructured lower-level understandings growing out of grievance settlements. In the fifth place, restrictions on flexibility in the use of manpower, as with the development of a relatively unsatisfactory level of performance, frequently develop more from the cumulative effect of a succession of administrative decisions than from negotiation. Again, however, though these practices grow from administrative decisions, their modification normally requires negotiated adjustment. Finally,

a fundamental deficiency in the development of troublesome restrictive practices has been lack of development of management policy and laxity in the administration of policy.

IV

To conclude I wish to make a few remarks concerning the restoration of efficiency. It is interesting that the subject of work rules has come to the forefront of discussion at a time when employee efficiency is improving. For some years now a process of restoring and improving efficiency has been going on. To be sure this process of improving efficiency has led to some conflict. The 1959 steel strike and the railroad dispute are cases in point. This conflict should be interpreted, however, in relation to this underlying trend.

The importance of several longer-range changes should be recognized: (1) the change in the economic environment, (2) the development of management by policy, and (3) increasing union and management experience in labor relations. It so happened in this country that the very large growth of union membership, and the spread and development of collective bargaining, coincided with expanding business, wartime prosperity, and postwar boom. Union-management relations went through an organizing stage and a contract-development stage at a time when longer-run cost considerations were considerably submerged by shorter-run production pressures.

As the postwar years have gone by competitive pressures have become increasingly severe. Partly in response to increased competitive pressure, and partly independently of such pressures there has been growing accommodation in union-management relations particularly in terms of day-to-day relationships.

The challenge of collective bargaining forced management to develop labor relations policies. These policies have been reflected to a degree in labor agreement provisions, but go considerably beyond the agreement itself. This growing body of policy, influenced by unions and forced by them is a major contribution of the institution of collective bargaining. Management gained experience in labor relations administration as did union officials. A key consideration reflecting increased experience has been the elimination and control of wildcat strikes and pressure tactics with respect to contract administration which has been increasingly evident in the years subsequent to Korea.

Also in the years subsequent to Korea many instances of restoration and improvement in efficiency can be found. It is a rare plant that has not made some progress. These instances relate both to an improved level of employee performance and to improved flexibility in the use of manpower. To be sure there are many plants and companies which wish to make additional improvements, and the process of making improvement has involved and created conflict. There is an element of irony, however, in the seeming growing concern with the issue of work rules when the underlying trend is favorable. The fact of some increase in open conflict has virtually submerged the quite significant degree of restoration of efficiency which has taken place.

Approaching the problem of work rules through a discussion of labor efficiency brings us not to new and startling conclusions with respect to work rules but only to some differences in emphasis. We arrive by this route to a consideration of quite broad basic determinants of efficiency in a given plant or company with work rules as a partial consequence. Labor efficiency is influenced by collective bargaining, but an explanation of efficiency in a given plant requires a detailed examination of management policy and practice, union policy and practice, and environmental influences.

WORK RULES AND PRACTICES IN MASS PRODUCTION INDUSTRIES

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The term "work rules and practices" has broad connotations. It covers not only rights and responsibilities embodied in the labor agreement but also their implementation by administrative decision. By including "practices" as well as "rules" we give recognition, not only to the implementation of specific contract provisions, but also to the wide and growing body of employment conditions which, though not mentioned in the agreement, have acquired the status of contract commitment because of their continued, frequent and uniform observance over the years.¹ Recently work rules have increasingly been used in a more limited sense to refer to those conditions of employment which directly or indirectly affect job security, on the one hand, and efficiency on the other. A recent survey of unions and companies in a number of mass production industries indicated varying degrees of concern over the following kinds of work rule problems: work assignment, rearrangement of job functions, application of seniority, contracting-out, distribution of overtime, manning requirements, incentive rates and standards.²

WORK STOPPAGES OVER WORK RULES AND PRACTICES

An indication of the importance which unions and managements attach to work rules and practices is their willingness to strike or take a strike over these issues. This analysis is based on Bureau of Labor Statistics reports showing major issues involved in work stoppages. The BLS category entitled "other working conditions," which comes closest to giving information on strikes caused by disputed work rules or practices, is divided into four sub-groups: "job secu-

* I am glad to acknowledge the help of Charles Crapo, research assistant in the Labor and Industrial Relations Center, in the preparation of this paper.

¹ James Healy, "Work Rules and Practices Under Collective Bargaining," Summary of paper presented at Industrial Relations Conference, Ann Arbor, Michigan, March 29, 1961.

² Letters received by author supplemented by discussions with representatives of companies and unions in mass production industries.

rity," "shop conditions and policies," "workload," and "other."³

During the period 1947-60, strikes over job security, shop conditions and policies, or workload accounted for almost one-fourth of all stoppages and workers involved. Man-days lost on account of such strikes were a much smaller proportion—9 percent of the total—reflecting the relatively short duration of strikes over working conditions.⁴ Since 1954, such strikes have tended to be more important in the total strike picture than during the first half of the post-war period. However, there is a definite tendency for the relative importance of strikes over working conditions to vary inversely with total stoppage figures. This reflects the relative stability of such strike figures as compared with total stoppages. For example, in 1959 there were 69 million man-days lost because of all strikes as compared with only 19 million in 1960—the highest and lowest figures since 1947. Yet in both years 3.4 million man-days were lost in strikes over working conditions. While BLS figures do not differentiate between authorized and unauthorized strikes, a substantial proportion of strikes over working conditions are probably of the wildcat variety.

Taken as a percentage of each group, strikes over working conditions occur more frequently, involve more workers and lose more man-days in manufacturing than in non-manufacturing industries.⁵ The BLS has published separate reports of work stoppages in three mass production industries—motor vehicles, aircraft and basic steel.

In motor vehicles more than half of all stoppages and workers involved were ascribed to disputes over working conditions during the period 1947-58. Approximately one-fourth of all man-days lost in strikes were over such issues. In many years, working conditions were the most important strike issue, due, no doubt, to the frequency of disputes over production standards which is a strikeable issue under major automobile contracts. Work stoppages over working conditions were relatively less important during the years in which major contract negotiations were conducted—1948, 1950, 1955, and 1958—than in non-negotiation years.⁶

³ Wherever possible, stoppages classified as "other" have been excluded from this analysis because this sub-group is utilized for disputes in which a union is protesting action or lack of action by the government rather than striking over working conditions.

⁴ Data for 1953-60 from BLS Bulletins 1163, 1184, 1196, 1218, 1234, 1258, and 1278. Data for 1947-52 from May issues of *Monthly Labor Review*.

⁵ Based on data for 1953-60 only. Reports for earlier years in *Monthly Labor Review* did not show an industry breakdown by major issue.

⁶ *Work Stoppages: Motor Vehicles and Motor Vehicle Equipment* (BLS Report 148), October 1959.

Strikes over working conditions in the aircraft industry were also relatively more important than in all manufacturing but less significant than in autos. During the period 1947-59 approximately one-third of all stoppages and workers involved and about 13 percent of all man-days lost were due to disputes over working conditions. Seniority appears to have been an important issue in a few large strikes, reflecting the difficulty of adjusting to the fluctuating employment which has characterized this industry during the postwar years.⁷

Strike statistics in the basic steel industry reflect the influence of major strikes over new agreements even more than in motor vehicles. Thus, in 1956 and 1959, disputes over working conditions were relatively insignificant in the total strike picture. (The 1959 strike was not counted as a work-rules stoppage by the BLS.) However, during non-negotiation years—1957, 1958, and 1960—working conditions accounted for the overwhelming proportion of all strikes, workers involved and man-days idle.⁸ Unlike autos, steel has a no-strike clause with no exemptions and consequently it is reasonable to conclude that practically all work-rules strikes were unauthorized by the international. During the period 1955-60, the only years for which data were available, strikes in which working conditions were the major issue accounted for 52% of all steel strikes, but only 13% of all workers involved and 2% of all man-days lost.

CONFLICT AND ACCOMMODATION: SOME RECENT CASES BASIC STEEL

The American steel industry is an old industry with many customs and traditions; an aging labor force characterized by long service; heavy, durable and expensive equipment which varies little from company to company; and producing a homogeneous product by processes and methods which have changed slowly over the years. In this environment it is not surprising to find work practices that go back many years in origin—often to a period before the Steelworkers' union was organized. To these practices were added others, established either unilaterally by plant managements or by agreement with local unions, designed primarily to obtain maximum production for war purposes, with little concern for efficiency.

⁷ *Work Stoppages: Aircraft and Parts Industry* (BLS Report 175), January 1961.

⁸ *Work Stoppages: Basic Steel Industry* (BLS Report 92), Revised September 1959, and special tabulation of work stoppages over "other working conditions" in 1955-60, prepared by BLS for author.

In 1947 these practices were given formal recognition by the now famous 2-B provision which is found in agreements with the United States Steel Corporation and a number of other major companies. The provision affords protection to local working conditions "which provide benefits that are in excess of or in addition to" benefits in the contract and explains the circumstances under which management may change or eliminate them. Arbitrators have held that 2-B may be applied to a wide variety of practices including: crew size, seniority, distribution of overtime, work scheduling and assignment, contracting-out, layoffs, wash-up time, and lunch periods.⁹

It is important to note two things with respect to the 1959 steel strike: the close relationship between work rules and incentives problems in steel and the absence of any relationship between 2-B and automation. The first goes a long way towards explaining why the work rules issue was injected into 1959 negotiations; the second may help to put to rest unfounded but persistent assertions that automation was an issue in that strike.

Since the installation of job evaluation in the steel industry, incentives have been a major problem to some companies and particularly to U. S. Steel.¹⁰ One of the reasons U. S. Steel was willing to spend millions of dollars to eliminate base rate wage inequities, both within and between plants, was the belief that substantial savings in manpower could be realized by establishing engineered performance standards on incentives. When the union withdrew from the original understanding to identify and eliminate inequities on incentives, U. S. Steel found itself stymied by the "local working conditions" clause in its efforts to reduce crews where it felt such reduction was warranted under new incentives. According to 2-B, a "local working condition," including crew size, may be changed or eliminated only when "the basis for the existence" of the condition is changed or eliminated. Arbitrators have generally interpreted this to mean a change in equipment or method of operation. Thus a change in crew size and duty assignment cannot be justified by a time study showing that one or more employees are unnecessary or by evidence that operations can be made more competitive by such a reduction. In such cases local union agreement must be obtained.

⁹ Pike and Fischer Inc., *Steelworkers Handbook on Arbitration Decisions*, published by United Steelworkers of America, 1960, p. 29.

¹⁰ Jack Stieber, *The Steel Industry Wage Structure* (Cambridge: Harvard University Press, 1959), Chapter X.

This tie-in between the U. S. Steel incentive program—the brain child of R. Conrad Cooper, the chief industry negotiator—and the “local working conditions” clause put considerable pressure behind an issue which was much less important to some other companies with weaker or no 2-B type provision in their agreements.

The claim that 2-B puts a brake on technological change has no basis in fact and has never been made by responsible industry representatives. In fact, by making a change in equipment the surest way to justify a change in a “local working condition,” 2-B has probably encouraged and hastened technological change in the steel industry.

Often overlooked is the fact that the union cannot by itself establish a local working condition, however reasonable it may be, or change what it believes to be an onerous condition. At one point in the 1959 negotiations, the union offered to modify 2-B to substitute “reasonableness” for past practice as the determining factor in establishing grounds for continuation of a local working condition.¹¹ Management refused, holding out for stronger modification, but perhaps also recognizing that “reasonableness” could be a two-way street whereas past practice can only be established with management cooperation.

How serious is 2-B in its effect on efficiency? The answer would require a thorough study of allegedly restrictive local practices—a study which has never been made and is not likely to be made. Garth Mangum, in his study of contract administration in the steel industry for the U. S. Department of Labor steel report, decided that the most serious effects of 2-B are to perpetuate management’s past mistakes for a time and to discourage supervisors from making changes which might produce grievances. He concluded that “inefficiencies which cannot be eliminated under the contract within a reasonable time by an alert management are rare.”¹²

The January 1960 settlement of the steel strike provided for the establishment of two committees: a group to study local working conditions, and a Human Relations Research Committee. The parties have released little information as to progress but it is doubtful that much will be accomplished towards resolving serious problems. More promising is the tripartite Kaiser-United Steelworkers Committee¹³

¹¹ Garth L. Mangum, “Interaction of Contract Administration and Contract Negotiation in the Basic Steel Industry,” *Labor Law Journal*, September 1961, p. 858.

¹² *Ibid.*, p. 857.

¹³ The neutral members are George Taylor, David Cole and John Dunlop.

to study problems resulting from technological change and local working conditions and to develop "a long range plan for equitable sharing . . . of the fruits of the Company's progress." The union is eager to arrive at agreements in Kaiser which may then be used as targets in forthcoming 1962 negotiations with the 11 major steel producers. Given the high caliber of the public members and the demonstrated willingness of Kaiser management to break new ground, it would not be surprising to see a final report which might well serve as the basis for union demands on the rest of the industry.

AUTOMOBILES

Unlike steel with its historical accumulation of customs, practices and working conditions, management in the automobile industry, except in the skilled trades, has been virtually free of limitations on its right to assign work, to combine or eliminate jobs and to determine crew sizes. The absence of restrictive work rules in autos may be explained in large part by the industry's rapid rate of technological change, changing production methods best exemplified by the annual model change, a high company mortality rate, and considerable decentralization resulting in the closing of old plants and shifting of production to new units in different geographic areas. Auto workers shift jobs and departments frequently and many have also changed plants and companies. Custom and practice have little opportunity to take root in the automobile industry which presents a particularly inhospitable environment for restrictive working rules.¹⁴

Informal restriction of output is also rare in autos. A large proportion of all employees work on assembly lines under production standards initially set by management but subject to challenge by the union. The collective bargaining agreement gives the union the right to strike over production standards and this right is exercised. Only about 2% of automobile workers are paid on an incentive basis¹⁵ and unilateral limitation of output is not a significant factor in this industry.

Automobile management is considerably more limited in dealing with the skilled trades. "Lines of demarcation" have been established

¹⁴ Charles C. Killingsworth, "Study of Collective Bargaining Approaches to Employee Displacement Problems (Outside the Railroad Industry)" August 1961. (Unpublished study prepared for the Presidential Railroad Commission).

¹⁵ "Extent of Incentive Pay in Manufacturing," *Monthly Labor Review*, May, 1960.

between trades which are rather strictly observed. This is particularly true at Ford Motor Company where umpire decisions, based on practices established by the parties, have been instrumental in limiting management's freedom to make work assignments in the skilled trades.¹⁸ This has presented some bars to the most efficient use of labor, particularly with the advent of automated equipment which often demands the use of a combination of skilled trades.

Union-management agreements in the automobile industry have extensive seniority provisions which, while mainly concerned with providing job security within the plant, also make provision for inter-plant and interarea transfers of displaced workers within companies. But the major emphasis of the union has been on cushioning the impact of technological change by measures to provide financial assistance to displaced workers. The 1961 negotiations liberalized existing provisions of SUB, separation pay, and retirement benefits, and introduced, for the first time, "short-week benefits" and "relocation allowances." The short-week benefit is a payment for hours not worked below the regular 40-hour week. Relocation allowances are paid to workers who change their permanent residence to take advantage of transfer rights under the agreement.

Perhaps more significant for this discussion than the economic gains made by the union were several changes in so-called non-economic provisions of the agreement, which were secured only after short strikes in both General Motors and Ford Motor Company. These strikes represented an unusual demonstration of the importance attached by the union and its members to working conditions. This was the first time since 1946 that the UAW had made General Motors its primary strike target. It also marked the first time that the union refused to sign the national agreement, covering economic issues, pending settlement of certain local issues.

According to the UAW, the single most important issue, which precipitated strikes in more than half of GM's plants and halted auto production, was the union demand for adequate personal relief time. Other issues in dispute involved a non-discrimination clause, production standards, compulsory overtime, foremen working, and union in-plant representation. Company spokesmen charged that the relief time issued had been "magnified out of proportion" and implied that the strike had been caused more by internal union political problems

¹⁸ Killingsworth, *Op. cit.*

than by serious union-management differences. The final settlement included the following provisions:

(1) The Company agreed to provide sufficient relief men to permit each production line employee to take 24 minutes of actual personal relief per shift, exclusive of the first hour at the start of the shift and the first hour after lunch. Previously this issue had been negotiated at the local level;

(2) A new clause was added to the contract stating that it was Corporation policy not to discriminate against employees because of race, color, creed or national origin and providing that complaints could be taken up as grievances. The union did not succeed in getting a clause covering hiring policy, but the company attached a letter quoting its "longstanding written and published policy concerning non-discrimination in employment," to be implemented by the individual divisions and employing units;

(3) New provisions were added to the grievance procedure to speed up the processing of complaints over production standards. A company "statement of policy" noted that "model-mix shall be taken into account in establishing and/or changing production standards on car and body assembly line operations" and that the speed of such lines will not be increased to make up for loss of production due to breakdowns or unscheduled line gaps or stops;

(4) Greater limitations were placed on situations in which supervisory employees may do hourly rated work;

(5) Union committeemen were granted additional time to handle and investigate complaints. Time taken by a committeeman to process production standards grievances is not to count against the time allotted him to work on other grievances.

A number of supplier companies also were subjected to short strikes, after agreements had been reached on economic terms, over such issues as seniority, the number of company-paid union committeemen, lunch periods, job and work-turn transfers and other work-rule provisions.¹⁷ The union was generally unsuccessful in attempts to permit workers to refuse overtime while other employees were on layoff and to restrict management's right to contract-out skilled work.

The actual gains in working conditions may be less important than

¹⁷ *Wall Street Journal*, November 13, 1961.

the manner in which they were achieved: refusal to sign national agreements on economic issues until local issues were settled, and willingness to strike over local issues. The upgrading of certain local issues to national bargaining may presage a new approach to handling such issues in future automobile negotiations. The example set by the UAW may also affect collective bargaining in other industries such as steel, where local issues have repeatedly been sidetracked in the rush to resume production after a national settlement on economic matters.

RUBBER

Like autos—and for many of the same reasons—this industry provides an unfavorable environment for development of restrictive work rules. Frequent changes in design, materials, methods, specifications and equipment are characteristic of many parts of the industry. Largely dependent on the motor vehicle industry for its sales, the rubber industry too is subject to severe seasonal and cyclical fluctuations in output. Production jobs are frequently eliminated, job duties are modified, and crew sizes vary from time to time. Arbitration decisions have generally upheld management's right to reduce crews without changing equipment and to combine, split up and reassign job duties.¹⁸

As in the automobile industry, the skilled trades situation differs from production in that lines of demarcation place limitations on management's right to assign work. A major distinction between these two closely aligned mass production industries is that a high proportion of rubber workers are employed on incentive jobs and informal limitation of output is commonly practiced. Wildcat strikes and slowdowns have also been a serious problem in some companies.

Negotiations in rubber are closely tied to those in autos. SUB and severance pay are provided in most contracts and local agreements contain highly elaborate work sharing and seniority systems. In 1961 negotiations, conducted before settlements in autos, two companies agreed that automation would not be used to remove jobs from the bargaining units; one of these companies also agreed to give advance notification of major technological changes that were likely to result in employee displacement; and a third company agreed to provide training at its own expense when it installed equipment that

¹⁸ Killingsworth, *Op. Cit.*

its own craftsmen could not service without additional training.¹⁹ Work rule issues which have presented continuing difficulty are distribution of overtime, application of seniority to meet changing production requirements, vacation scheduling, and setting piecework prices on incentive jobs. Increased pressure is also being placed by the union on demands to limit contracting-out.

MEATPACKING

The story of the 1959 negotiations in this industry presents examples of both accommodation and conflict in response to union demands relating to job security. Accommodation was the keynote in the highly publicized Armour agreement setting up an automation fund of \$500,000 to be administered by a nine man committee, including an impartial chairman. The committee grew out of a situation which included declining employment due to mechanization, the closing of old and inefficient plants, and centralization of production in newer facilities. In 1959 the union demanded a shorter work week, guaranteed employment, a limitation on job combinations, restrictions on contracting-out work, an increase in severance pay, one year notice of any plant shutdown and the right to reopen the entire contract if the company decided to close any plant covered by it. The Armour proposal to establish an automation study fund and committee was its answer to these demands.

The Swift and Wilson companies reacted differently to union demands for job security. Rather than accept automation funds and other union demands which they felt would limit management initiative, both companies took long strikes and eventually settled for somewhat larger wage and fringe benefits but without concessions on management rights.²⁰

WESTINGHOUSE AND PITTSBURGH PLATE GLASS STRIKES

These two conflicts differ from those previously discussed in that they represent situations in which management took the initiative to change or eliminate rules and practices peculiar to their companies. Both were successful to a limited degree.

The 1955-56 IUE strike against Westinghouse was sparked by

¹⁹ *Ibid.*

²⁰ Irwin L. Herrnsstadt and Benson Soffer, "Recent Labor Disputes Over 'Restrictive' Practices and 'Inflationary' Wage Increases," *The Journal of Business*, University of Chicago, October 1961.

company measurement studies of indirect labor in the East Pittsburgh plant. Costs of indirect relative to direct labor had been rising and management wanted to institute tighter cost controls over day work employees. The union feared that the studies would lead to speed up and further displacement in a plant which had already suffered a 25% reduction in its labor force during the previous four years. After a 156 day strike, the Company's right to time study non-incentive jobs was recognized, subject to the union's right to review work standards and to take grievances to arbitration. The IUE-Westinghouse contract had not previously included arbitration.

The United Glass and Ceramic Workers strike against the Pittsburgh Plate Glass Company was similar to the Westinghouse stoppage in that the problems were concentrated in one plant. The two differed, however, in that the glass company was itself primarily responsible for a deteriorated incentive system created by piecemeal adjustments, obsolete and costly manning and job selection processes, onerous restrictions on speeds and output agreed to in more prosperous years, an excessive number of company-paid full-time grievance committeemen and union time study representatives, and an unduly burdensome seniority system. In 1958 the Company undertook to reduce costs in order to improve its competitive position.

This time it was management that wanted arbitration while the union balked. It took a 134-day strike and a liberal economic package to obtain agreement to submit outstanding work rule issues to arbitration by three public members. The arbitrators made a number of far-reaching decisions: management could establish new incentive rates under a new formula, subject to union challenge via the grievance procedure; the Company was permitted to make initial determinations of line speeds and output for a three week trial period but had to revert to old standards, pending arbitration, if the union did not agree to the changes; manning reductions were upheld in over two-thirds of 69 cases submitted; company-paid union grievance and time study men were cut more than 50 percent; seniority bidding on temporary vacancies was eliminated though other broad bidding rights were retained.

THE IMPACT OF ARBITRATION

A UAW official recently predicted that an arbitration award in General Motors would affect the jobs of 100,000 tool and die makers

in the automobile industry over the next 10 years. The decision was that the cutting of tapes to program the work of a new machine should not be given exclusively to process engineers and denied entirely to tool and die makers. The union intends to try to get other companies to adopt the substance of the award.²¹

Even if the UAW official is off in his estimate of the number of men likely to be affected, this decision may have a significant impact on the employment prospects of automobile tool and die makers. Similar awards regarding job assignment, job combinations, crew sizes, incentive standards, overtime work, contracting-out and other matters affecting job security are being made every day by arbitrators. Sometimes they are based on specific provisions of the agreement. Frequently, however, there may be no provision clearly covering the particular matter in dispute and the arbitrator may base his decision on past practice. Arbitrators have used past practice "to clarify what is ambiguous, to give substance to what is general, and perhaps even to modify or amend what is seemingly unambiguous. It [past practice] may also, apart from any basis in the agreement, be used to establish a separate, enforceable condition of employment."²² Since no contract can possibly contain provisions covering all problems which may arise in the day to day administration of the agreement, past practice may well determine many questions affecting job security.

Another widely accepted arbitration doctrine which has relevance for our discussion is that there are limitations on management's rights which, though not explicitly expressed in the contract, may be read into the agreement. The "implied limitations" doctrine is particularly important on such issues as management's right to contract-out work—a subject on which the agreement is often silent. Commenting on the hazards of this doctrine, a management attorney has suggested that a union may be better off to rely on the "implied limitations" theory than to try to negotiate a restriction on contracting-out in the agreement.²³

²¹ *Daily Labor Report*, No. 194, 1961, Bureau of National Affairs, Washington, D. C.

²² Richard Mittenthal, "Past Practice and the Administration of Collective Bargaining Agreements," paper delivered at meeting of National Academy of Arbitrators, January, 1961, p. 2.

²³ Comments by David Lindau in "Conference on the Arbitration of Two Management Rights Issues: Work Assignments and Contracting-Out," New York State School of Labor and Industrial Relations. February 4, 1960.

With over 90% of all agreements containing arbitration provisions, past practices and implied limitations on management's rights may have as great an impact on job security as specific contract provisions governing work rules.

CONCLUSION

Work rules problems exist in manufacturing and mass production industries as well as in railroads, longshoring and construction. But they are not on the same scale, are almost never industry-wide and are more often individual plant problems than company problems. Taken as a whole, industrial strife over work rules has not increased significantly over the years when measured in terms of strike statistics. Stoppages over work rules in manufacturing have generally grown out of problems of contract administration rather than contract negotiation and have often been unauthorized by the international union.

Mass production industries are relatively free of restrictive rules and practices which impose serious limitations on efficiency. In the comprehensive Brookings study on *The Impact of Collective Bargaining on Management*, mass production industries and industrial type unions are rarely mentioned in the numerous illustrations of make-work practices. Of the eleven kinds of restrictions discussed, only one—enforcement of loose production standards or limits on speed or on output—was found to exist with any degree of frequency in mass production. According to this study, restrictive practices in manufacturing were due more to management laxity in previous years than to union initiative. But, regardless of where the blame lies, rules and practices which unduly limit efficiency should not be perpetuated. The problem is how to get rid of them.

The best answer is to eliminate the basis for their existence through technological change; the next best way is to bargain or buy them out; the worst approach is to try to force their elimination because they are "bad," "wrong" and an infringement on "management rights." We have seen examples of all three approaches in the cases cited earlier in this paper, in railroads and in longshoring. The most serious problems arise where a union resists changing technology or refuses to be bargained or bought out of restrictive rules and practices; then the "persuasion of power" takes over and the results are not always predictable.

Fortunately, opposition to technological change has almost no

overt and few covert supporters in union leadership ranks. Mass production industries have been among those to make the widest use of automated equipment without challenge from their unions. The emphasis today is on cushioning the impact of change through financial assistance and other benefits to those affected. Demands for early retirement, severance pay, SUB, retraining, relocation allowances, guaranteed pay plans, and the shorter work week are being heard with increasing frequency. While such benefits are costly, their cost is at least predictable, which is not true of restrictive practices. Just as union policies of "obstruction" and "competition" (subsidizing old or alternative methods by accepting lower pay) were abandoned in earlier years in favor of the policy of "control" of technological change, so now the policy of "control" has given way to the policy of "adjustment." This is particularly true among unions in mass production industries.

Collective bargaining in 1962 is not likely to center around work rules—neither in steel nor in most other mass production industries. The major developing issues relate to union efforts to achieve a greater degree of income stability for their members and to help them adjust to the vicissitudes of technological change. Fortified by a friendly administration in Washington, unions can be counted on to pursue these objectives in both the collective bargaining and the legislative arenas.

DISCUSSION

WILLIAM GOMBERG

University of Pennsylvania

Both Mr. Livernash and Mr. Stieber have given us extremely competent papers. Mr. Stieber has given us a picture of the so-called work rules problem in the mass production industries. It confirms what many of us suspected—that much of the conflict over the so-called 2-B issue in the last steel strike did not stem from its interference with technological innovation. Instead, the problem it presented was the impatience of an engineering oriented management with the tediousness of due process. It was an illustration of the old epigram that what's one man's red tape is another man's due process.

Mr. Livernash has very ably reviewed the role of industrial engineering techniques and the problems that can be expected to arise in the administration of agreements covering these techniques. I was particularly taken with his sound treatment of the problem posed by "creeping" changes in technology.

I am primarily interested, however, in discussing Mr. Kaufman's paper. He attempts to explain the special nature of Railroad work rules in terms of the following special variables:

1. The semi-militaristic form of organization
2. The hazards of employment
3. The variable and mobile character of the work place
4. The variable work force
5. The special training and experience of the work force
6. The relation of the work place and residence
7. The local variances in physical characteristics
8. The increased competition of the transportation industry
9. The large size of the enterprise.

Might I suggest that if these variables are supposed to explain the rational as well as the irrational work rules which are found in the railroad industry, that they represent a highly questionable analysis. There is not one of these variables that are not likewise represented in virtually every heavy industry. The very teaching of management, management of any enterprise, starts with an examination of its military ancestry. The hazards of employment on the railroads are exceeded by the hazards in longshoring where

rational rules have just been installed under a union management agreement.

There is not an industry in the country that does not depend upon a variable work force. The railroads are not alone in requiring special training and experience. They are not unique in exhibiting local variance and physical characteristics. The General Motors Corporation and a number of others are even greater in size than the railroad industry. About the only unique characteristic that Mr. Kaufman cites is the variable and mobile character of the work place.

The special problems presented by railroad work rules have been successfully solved in a number of notable examples. The recent agreement between the railroad telegraphers and the Southern Pacific Railroad is an excellent example of the way a worker's vested property interest in his job is simultaneously protected with a rational advance of technological improvement along the railroads.

Some years ago, George Harrison entered into a similar agreement to protect the railroad clerks property interest in their jobs and at the same time permit the company to take advantage of some of the technological improvements that were in the course of installation.

This morning, we were told that there are three stages in collective bargaining: conflict—accommodation—cooperation. I would change this and I would say that the third stage is a choice between cooperation and an athero-sclerotic mutual destruction.

The setting up of the special presidential commission by the government, initially offered a hope that a similarly constructive result could be expected. The public members are of such superior character that this might happen yet, despite the behavior of the principal experts thus far before the tribunal. The procedure under the impetus of the experts on each side has degenerated into a flow of rubbish into the record. Just reading the material and the exhibits would take the members of the commission the rest of their natural lives.

The proceeding represents an ideal example of what John R. Commons used to warn against—the tyranny of the expert. He always advised the principals to compel the subordination of their experts and to take charge of the strategy of bargaining themselves. Both sides, the management and the labor side have become the victim of what I like to call mutual "conmanship," a form of behavior that is designed to prove the indispensability of the experts to the process rather than to solve the problems at hand.

Let me give you an example of what I mean. One aspect of a rational solution must arise out of breaking down the usual non-sensical division between so-called management functions and union collective bargaining functions. Train schedules are accepted both by union and management executives to be management functions. If this were broken down, the union would then be in a position to say to management—"If you will guarantee to run 'x' additional trains, let us say on the New York to Washington run instead of cutting them down, we would be ready to analyze our 'crew consist.'" Instead, the two areas are kept in water-tight compartments and quite obviously the union seeks to maximize the crew consist on fewer and fewer trains. I do not want to minimize the problems that the union faces. Management officials have informed me that railroad employment can be expected to fall to 350,000. Experts cannot engage in this kind of bargaining. All they can do is give a rational veneer to both rational pleas and irrational pleas to defend both the defensible and the indefensible.

Then again, the Railway Labor Executives Committee is a loose body that is unable to perform the kind of internal collective bargaining among the railroad unions that will lead to the formulation of a rational collective bargaining policy. Any one member can pick up his marbles and refuse to play. It is difficult to persuade the affiliate independent union whose membership is going to suffer most from a change in work rules to commit virtual suicide. If a tighter structure were substituted for the existing loose structure, this problem would resolve itself. This again is something that only the principals can accomplish and not the experts.

Mr. Kaufman's protest that I am being unfair because the railroad unions in Volume I of the Proceedings did ask for a different type of hearing than developed is belied by the kind of material put into the hearings by the union's experts. The whole procedure reminds me of a piece of 18th Century history. The great powers were meeting to divide up conquered Poland. Maria Theresa, Empress of Austria and Frederick the Great, Emperor of Prussia, were among the conferees. Suddenly Maria Theresa, overcome with emotion, began to lament the fate of proud, noble Poland. Frederick the Great cynically remarked, "She weeps, but she takes her share." It seems to be an unfortunate fact that the principals hemmed in by their experts are the victims of each others' incompetence.

Mr. Kaufman befouled his own nest in his oral additions to his paper in which he cited a number of practices in the academic world like professional tenure and six-hour teaching loads as the equivalent of what is found in railroading. May I add that if these practices are used at his institution to protect the drones, then his colleagues would deserve exactly the same kind of public obloquy that has fallen on some of the railroad unions. I just have a hunch that Penn State is better than that.

Mr. Mangum noted that the airlines were becoming the victim of featherbedding. He referred to the 4-man crews that are found on the Jet liner. May I point out that not all of the airlines are saddled with 4-man crews. United and Continental among others enjoy 3-man crews and much better labor relations than those airlines that are saddled with 4-man crews. The differences are to be explained by the relative competence of their respective managements in the field of labor relations. When the Cole board was sitting on Eastern on this very question of who gets the 3rd seat, the engineers or the pilots, one of the airlines thought it would be cute. It made a behind the scenes deal with the engineers while the Cole board was still in session to lock up the 3rd seat. When the Cole board made its award, and the 3rd seat on the Jets was assigned to the pilots, the airline wanted to know what we do with the 4th man? The answer of the Pilots' union was: "You don't need a 4th man, but if you are stuck with him, put him in the passenger cabin." They made room for him in the cockpit.

I resent the way this has become the government's problem. Special boards are appointed. The Secretary of Labor is busy—with what are they all busy? Trying to overcome a piece of managerial stupidity. If we really believe in private enterprise, then we ought to understand that one of the elements in competition is your ability to handle your industrial relations. Demonstrated incompetence ought to be followed by a change in management rather than a wild scramble to make the problem a government preoccupation.

DAVID KAPLAN

The Economics of Distribution Foundation

One of the marvels of present day American industrial society is the degree to which organized workers have accepted technological

change. Given a human nature that prizes security and a dynamic economic environment full of uncertainty, unemployment and underemployment, a continuous volley of comments predicting transformations that threaten the elimination of whole classes of labor (manufacturing and clerical) it is surprising that there is so little effective opposition to technological change.

It is even more surprising when we consider that thousands of scientists are working for corporations whose chief aim is to discover means for eliminating not only manual labor but also clerical labor in a mad drive to lower costs. The propaganda about automation appears to the worker as a threat to displace him from the industrial process and take away his means of earning a livelihood.

In the face of these threats, real or apparent, the acquiescence of the American worker and in particular the organized labor movement to technological change is something deserving of study. This acquiescence, or perhaps it may better be called resignation, can be epitomized in the hackneyed phrase by which many labor leaders respond to a discussion of the matter: "You can't stand in the way of progress."

I think the kind of an approach which emphasizes the reasons why organized workers do not oppose technological change is worthy of exploitation by scholars, as I think too much emphasis has been placed on the study of the retarding effects of working rules.

This discussant is convinced that other economic groups in society with much less effective economic power have been more effective in retarding change that threatens their financial, economic or social position than are workers.

The Department of Justice in administering our anti-trust laws and the Federal Trade Commission have been many times more effective in retarding efficiency, preventing the elimination of wasteful practices, than have all the working rules of all of the unions combined. And all this is done with an almost religious fervor in defense of preserving competition and in that way promoting free enterprise and the American way of life.

The three papers read at this session are unanimous in finding no serious major obstacles to technological change in the working rules of American unions. The problem, as one paper puts it, at the worst is partial adjustment to change. When one considers that engineers know that no engine yet devised for economical use has been able to get as much as half the power potential out of the fuels

it uses, it is not surprising that the human being as a worker does not respond perfectly to changes in the industrial or commercial processes.

This is not a plea for the perpetuation of inefficiency, but for a reasonable perspective of the problem. All three papers have had such a perspective.

A number of the factors which Professor Jacob J. Kaufman discusses in his paper on "Logic and Meaning of Work Rules on the Railroads" and which he seems to believe make the railroad industry unique, differ only in degree to which they affect railroad workers and not to any real difference in the basic factors. With respect to his discussion of the militaristic setup in the railroad industry, I would point out that industry is inherently authoritarian. Whether the work relationship is conceived as one of master and servant, employer and employee, manager and worker, etc., there have to be order-givers and order-takers.

Inherent in the concept of American trade unionism and industrial democracy is the principle that workers need to be protected against the arbitrary rule of those in authority. This runs parallel to the democratic concept that citizens must have the protection of law from the arbitrary whim of the government whether it is ruled by a sovereign, an elected president, or by a parliament.

To Professor Kaufman's factors in explaining work rules to the railroad industry, I would add two others: one, the variable nature of the jobs in the same craft with respect to earnings and desirability which makes for rigid seniority and bumping rules for the selection of runs, etc., and, two, declining job opportunities which fortifies this tendency.

Professor Jack Stieber finds little restrictive practices in mass production industries and those found to exist in any degree always have to do with limits on speed or on output. I want to call attention to the fact that where such restrictions appear, more than the purely economic reasons, the cause may be the physiological and psychological need of ordinary workers to protect themselves against the performance of the extraordinary worker. In every endeavor individuals may be found who are particularly adapted to perform much beyond the average, with no apparent harm or discomfort. Since most work is performed by the ordinary worker, and this worker must work day in, day out, week in, week out and year in, year out, he must protect himself from a pace which would be harm-

ful or distressing. One must never forget that the human being is not merely a production machine, and that he spends a great part of his life at work and in a work place.

Analysis made by Professor E. Robert Livernash appeals to me as one calculated to lead to good results if followed job by job, and coupled with the procedures of negotiating out, buying out or changing the process to which the troublesome work rule applies.

The problems of working rules, we must all understand, are problems of evolution and growth. Many of the rules that now seem to harass management were first introduced, not by unions, but by management in an earlier stage of the development of the industry for the purpose of efficient operation.

I think it was Karl Marx who once wrote that the new order is born within the shell of the old. Old practices themselves were once new and had to evolve against restrictions and limitations. Later those practices themselves, as economic development continued, became obstacles to still newer practices seeking to replace the old.

This is a conflict inherent in many phases of industrial, economic and social evolution.

Close contact with developments in the distribution of bakery products enabled me to follow the evolution of working rules in this industry. Management in this industry in the early decades of the 20th Century in the United States built up a system of distribution tailor-made to fit the needs of a homogenous group of comparatively small stores. They selected and trained route salesmen in methods to serve small grocery owners. They developed systems of compensation to provide incentives to promote efficiency of such a sales-driver force.

Now tremendous change has occurred in the market. Most groceries are now sold through supermarkets. 100,000 small stores have closed their doors never to be opened again. Purchasing for many supermarkets is no longer done by someone in the store, but by a central chain buying department or through specialists in a cooperative wholesale organization owned by independent storekeepers, or voluntaries that do purchasing for other organized grocers.

Many of the practices that made for an efficient distribution system serving small stores, are unnecessary or wasteful or unsuitable for serving large outlets in an efficient manner. Yet a whole craft of labor had been recruited, trained and taught to depend on supplying

such services for a livelihood. Though the practices were introduced by management, they were later written into union contracts and have become the tenets on which a large group of workers depend for the preservation of their job opportunities.

What is rarely spoken about in connection with the evolution of such working rules is that the enforcement of these rules preserves not only the job opportunities of workers, but also keeps in business certain enterprises that couldn't compete if these rules were eliminated.

GARTH L. MANGUM

Brigham Young University

It is difficult to imagine a more ambiguous term than work rules. Jack Kaufman has rightly warned against the tendency to prefix the word "make" to any work rule discussion. The term might refer to any rule under which work is conducted whether it be that the employee shall punch in at 8 a.m., that he shall receive \$3.15 for each hour worked or that five men shall be employed to perform a particular operation. Reference to methods of wage payment, job classification and incentive standards in the Livernash and Stieber papers illustrate that even a mild narrowing of the scope of work rules to the non-wage aspects of collective bargaining will not do.

Perhaps some clarification is possible by discussing only those work rules which increase or prevent decrease in the labor input, either total labor or a particular kind of labor. In doing so one must hasten to add with Jack Stieber that the increase or maintenance of the labor input is not *a priori* bad. There is no inherent sanctity in a management determined level of labor input. The test must still be reasonableness.

This leads me to a comment on the tone of Bob Livernash's paper. Though he has picked efficiency of production as the focus of his paper, I am sure he would not maintain that this is the only consideration. Concern with the reduction of labor and other costs is an expected part of the economic role of the manager. A desire to protect jobs and working conditions is to be expected of employees. Equally understandable but deserving of a lower level of consideration is the concern for organizational as well as job security. The

adamant opposition of the Brotherhood of Locomotive Firemen and Enginemen to anything approaching the Canadian Kellock decision which allowed the eventual elimination of the fireman's craft while protecting the jobs of the incumbents is a case in point. This concern for the "great unborn" is also evident to a lesser degree in the flight engineers' case. Unions and crafts as well as companies are understandably reluctant to die but their perpetuation need not be included in the total package of social welfare along with productive efficiency and employment security.

Returning to the Kaufman paper, an excellent case is made for the existence of work rules but no case for the particular work rules in force. The railroad environment may not be as unique as Jack Kaufman suggests. Safety hazards, a mobile work force, non-transferable skills, etc. are not limited to the railroads. Every industry has its own peculiar environment and develops rules to fit. The issue in work rules controversies is not the existence of rules but the need to change the rules as the environment changes. It is this process of adjustment which is of concern to this group.

Bob Livernash commented on the paradox that interest in the work rules issue is rising at the same time the problem is diminishing. Keeping this in mind, I will summarize the solutions offered by the authors while inserting a thought or two of my own.

The first premise is that the total problem of constantly adjusting work rules to meet the demands of a rapidly changing work environment can only be solved within the framework of a growing, resilient, high employment economy which offers ample opportunity for reabsorption of displaced employees. The framework must include some means of attaining wise occupational choice and adequate preparation for the new entrant to the labor force and new skills for those whose old skills become obsolete.

Within that framework, Livernash has stressed the need for farsighted management policies which prevent the development of vested interests in inefficient practices. Stieber and Livernash have both noted that rules which today may be criticized for their interference with efficiency rarely have arisen from formal collective bargaining. Many antedate unionism; most were reasonable at the time of their inauguration; some have crept in piecemeal from management preference for the expedient solution to immediate problems without concern for the long-run impact. They have been perpetuated because of

management's failure to adjust promptly to small changes, either because of apathy or fear of employee pressures. The result is an accumulation of molehills sufficient to build a mountain of resistance. The airline decision in the flight engineer-pilot controversy which turned the "third man theme" into a cockpit quartette is an example of expediency. The railroad carrier attempts to wipe out overnight a forty years or more accumulation of rules is an example of failure to make prompt adjustments.

Since those rules controversies which will inevitably arise vitally concern the employees as well as the employer and must therefore be resolved bilaterally, both parties must have something to gain before a rule can be eliminated. The rules must be bought out, bargained out, fought out or accepted. It is interesting to note the relative absence of concern with the work rules issue in construction and longshoring where the most criticism has been leveled in the past. The West Coast longshore agreement has been praised as a forward-looking "buying out" solution. It should also be noted that containerization and mechanized materials handling was already signalling to union leaders the inevitability of change. In construction, competition between building contractors and in-plant maintenance and force account construction and the rise of the national contractor who can choose to work union in organized areas and non-union in others or can spearhead union organization if he cares to do so, have given the unions a long-run interest in adjustment to change.

In both cases, the increasingly centralized power of the international union has been an important element. The long-run threat of restrictionism is often apparent only at the international level. The potential clash between immediate parochial interests at the local level and the long-run welfare of the union may require international restraint on local practices. For this reason, attempts to impose a preconceived idea of union democracy (the public labor policy fad before the work rules issue) may be an obstacle to the removal or prevention of restrictive practices.

Of the use of informed neutrals, I will only comment that the approach presupposes a willingness to accommodate and adjust. Of the use of uninformed neutrals, I will comment that parties to some present disputes may be courting legislative intervention by failure to resolve their differences by other means.

Finally, if work rule issues are to be resolved rather than merely postponed or buried, the willingness and the ability to strike or take

a strike over the issues must be present though not necessarily used. Bob Livernash suggests the possibility of a marginal analysis balancing the benefits of job protection to the employee against added cost to the employer. The strike becomes the price mechanism by which the comparison can be made. If the employees are willing to strike longer to maintain a rule than the employer is willing to take a strike to eliminate it, perhaps the rule should be maintained. If this is true so is the opposite. Since most failure to eliminate seemingly outmoded rules is the result of informal employee pressure tactics rather than formal negotiations, those companies with a history of succumbing to pressure tactics would be expected to and do seem to have the preatest problems with restrictive work rules. Those who meet such pressures straight-forwardly rarely are hampered by serious restrictions.

All of this may clash with the inordinately high value placed on labor peace in our society. It also explains the seriousness of the work rules problem in those industries where the strike weapon does not exist in a real sense. Is there any realistic middle ground between the ultimate sanction of the strike or the taking of a strike on the one hand and rule making by legislation on the other? So far the middle ground seems to be only endless haggling and no resolution of the disputes.

Part XI

REPORTS

MINUTES OF THE IRRA EXECUTIVE BOARD MEETING

MAY 4, 1961, CHICAGO, ILLINOIS

The Executive Board of the Industrial Relations Research Association met at the Palmer House, Chicago, Illinois, at 6:00 p.m. on May 4, 1961. Present were: Philip Taft (presiding), James Hill, Gerald Somers, Joseph Shister, H. D. Woods, Edwin Young, and guests Frank McCallister and Reed Tripp.

President Taft stated that he wants to schedule a general membership meeting as part of the program of the annual meeting in December. It was agreed to find an appropriate time and schedule such a meeting, probably after the last session on December 28.

The President took up the matter of a replacement for the Secretary-Treasurer, who will be on leave for a year. It was moved and seconded that Gerald Somers be the temporary secretary-treasurer until Mr. Young's return. The motion carried unanimously.

The President stated that he is making progress on the program for the December meetings.

The next item on the agenda was the place of the 1962 Spring Meeting. Places mentioned were: Miami, Gatlinburg (Tenn.), Buffalo, Montreal, Philadelphia, Minneapolis, Columbus (Ohio), and the West Coast, with Los Angeles mentioned specifically. Shister moved that Philadelphia be the place. The motion was seconded and then amended to include William Gomberg as program chairman. Carried as amended.

The next matter discussed was the place of the 1963 December meeting. Boston will be the meeting place of the AEA and other allied social science associations. The point was strongly made that if we go to Boston, the hotel should be carefully selected so as to be near the general meetings but not in the same hotel as the AEA. Woods moved that we go to Boston in December 1963. Shister seconded the motion. Motion carried.

There was discussion of whether or not to have a general theme for the Spring Meeting (1962). It was suggested that the theme be "Aspects of Labor in Underdeveloped Countries." The President was instructed to suggest to William Gomberg that he use the theme "Comparative Labor Movements in Underdeveloped Countries."

Somers distributed copies of an outline of chapters for the volume

ADJUSTMENTS TO TECHNOLOGICAL CHANGE, planned for publication in 1963.

Taft reported that Marten Estey, Martin Wagner and himself comprised the editorial committee for the volume on Internal Union Government, scheduled for appearance in 1964.

Taft reported he talked with people at the 20th Century Fund about doing a study on the Landrum-Griffin bill, and that he had sent them a 13-page memo.

Proposals for the topic for the 1965 special volume are on the agenda for the December meeting of the Executive Board.

Copies were distributed of a table showing numbers of copies sold and proceeds (royalties) from volumes published by Harpers.

The next item taken up was appointment of a nominating committee to choose candidates for president, president-elect and members of executive board for 1963. President Taft asked for a list of names from which to pick this nominating committee.

It was moved, seconded, and carried to extend a vote of thanks to Martin Wagner, program chairman, and to the local arrangements committee, Frank McCallister and George Shultz, co-chairmen, for their work in making the meetings a success.

President Taft asked what the Board wished to do about the editorship, the editor's three-year term having expired. It was moved by Shister, seconded by Woods, and carried, to reappoint Gerald Somers Editor for the next three-year term.

The meeting adjourned at 8:30 p.m.

MINUTES OF THE IRRA EXECUTIVE BOARD MEETING

NEW YORK CITY, DECEMBER 28, 1961

The IRRA Executive Board met on Thursday, December 28, 1961, at 6:00 P.M. at the Belmont Plaza Hotel in New York. Present were: President Taft, President-elect Myers, Editor Somers, Secretary-Treasurer Young, Board Members Argyris, Bernstein, Bloch, Cruikshank, Cushman, Haughton, Hill, McPherson, Meyers, Shister, H. Somers, Weinberg, Woods; and Messrs. Ben Schwartz and George Shultz.

William Gomberg and Milton Weiss of the Philadelphia Chapter

attended the first part of the meeting to report on arrangements and program for the 1962 Spring Meeting in Philadelphia. The arrangements included a payment for the rooms in which the meetings would be held. It has not been customary to pay for such meeting rooms. Gomberg said that the expense could be recovered through the registration fee and the price of the luncheon ticket. Bernstein moved to authorize Gomberg to proceed. Cruikshank seconded the motion, which carried unanimously.

Shultz, as chairman, reported for the nominating committee. The motion was made and seconded to accept the committee's report. Motion carried.

The next item of business was the secretary-treasurer's report. The application of the Montreal Chapter for official recognition was considered. The Secretary-Treasurer reported that the by-laws were in order, and that the officers were all members of the national organization, as required by the constitution. It was moved and seconded to extend official recognition. Motion carried.

Myers inquired into recruitment of new members. Taft remarked that his efforts to work on this through local chapters proved very difficult. Myers referred to a letter sent out by former IRRA President Douglas Brown and inquired what efforts were being made to use such invitations to membership. The Secretary-Treasurer replied that such letters were being sent out and that various lists had been canvassed during the year. Schwartz remarked that he had been surprised to learn how many New York Chapter members were not members of the national organization. G. Somers mentioned efforts to get the cooperation of local chapters, but noted that membership lists had been received from only the New York, Chicago, and Wisconsin chapters.

Argyris inquired as to the readership of the *Proceedings* and was assured of its widespread use by scholars in the field.

The Secretary-Treasurer discussed the Association's financial status in relation to its activities. He discussed the matter of economy on salary. Our officers are unpaid. There is a very small office staff. More ambitious plans for expansion of the Association would undoubtedly require a dues increase.

The President called for a motion. It was moved and seconded to accept the Secretary-Treasurer's report. Motion carried.

Next on the agenda was the Editor's report. There was a discus-

sion concerning the composition of the editorial boards and authorship of the special volumes. It was decided that efforts should be made to have a tripartite composition among authors where the subject matter made this desirable, but no firm rules on this point should be established.

The Editor's report continued with a discussion of the status of volumes in process. Shister indicated that Tead of Harpers says the 1962 volume will be out by March. G. Somers reported that on the Technology volume three manuscripts are in, others promised by next month or so. It should be out early in 1963.

On the union government volume, Taft reported that Marten Estey has already submitted an outline which looks very good. Taft stated that this volume could make an important contribution in appraising the effect of the law and in giving some fair index of the health of the labor movement. This is information of a kind that we have never had before. He solicited suggestions as to author and topic. Topics were to be assigned by June 1962, manuscripts to be completed within a year, and publication in 1964.

The meeting then discussed selection of the next special volume. G. Somers noted that experience shows that unless the Board considers this matter at each December meeting, there will be a gap. Several topics were suggested. It was decided that Myers would explore the possibilities of a volume on hours of work and report his progress at the next meeting.

Continuing the Editor's report, G. Somers reported that correspondence with industrial relations librarians concerning an index of industrial relations journals brought four responses: from Bernard Naas of Cornell, Hazel Benjamin of Princeton, Dorothy Kuhn Oko (New York), and Eleanor Scanlan of the University of Michigan. A question was raised concerning duplication of the AEA volumes. Others stressed the expense involved. Another said at least one full-time person would have to be employed to work on the index "in addition to the cooperation of a number of others." No action was taken on the matter.

Program and arrangements for the 1963 Annual Meeting to be held in Boston were discussed. Incoming President Myers reported that he has been in touch with A. Howard Myers of Boston. It was moved to make arrangements to hold our sessions at the Sheraton-Plaza. Motion was seconded and carried.

The next matter discussed was the 1963 Spring Meeting. Woods invited the Association to hold it in Montreal. There was discussion of going farther west, maybe to St. Louis or Denver, since the other meetings in these two years would be in the East. However, Montreal was agreed on as the meeting place for Spring 1963, on the strength of a large prospective Canadian attendance.

The agenda for the Membership Meeting on Friday was discussed. The Secretary-Treasurer stated that action taken by the membership meeting is advisory to the Executive Board, to be taken up at its next meeting in May.

At Myers' suggestion, there was some discussion of the 1962 Annual Meeting program.

President Taft thanked the board members for their interest. Meeting adjourned at 9:00 P.M.

MINUTES OF IRRA MEMBERSHIP MEETING DECEMBER 29, 1961

A meeting of the membership of the Industrial Relations Research Association was held on Friday, December 29, at 4:45 p.m. in the Belmont Plaza Hotel, New York. President Charles Myers called the meeting to order. Forty members were present.

During the course of the meeting the following topics were discussed: (1) Program for the 1962 Annual Meeting to be held in Pittsburgh in December. (2) Ways of encouraging participation in IRRA meetings of younger people doing significant research in the field of industrial relations. (3) The possibility of IRRA sponsoring a national essay contest on the extent to which experience in the settlement of labor disputes has relevance for the settlement of international conflict. Other suggestions were that this be made the topic of an invited lecture; and that other topics might be chosen. The New York Chapter's experience in sponsoring its essay contest was described. The matter was referred to the Executive Board. (4) The possibility of holding the membership meeting earlier in the sessions. It was agreed to find an earlier time.

A vote of thanks was extended to President Philip Taft for this year's excellent program and to Benjamin Schwartz and his committee of the New York Chapter for their work on arrangements.

The meeting adjourned at 6:00 p.m.

KELLOGG, HOUGHTON AND TAPLICK

CERTIFIED PUBLIC ACCOUNTANTS

December 21, 1961

Insurance Building
Madison 3, WisconsinExecutive Board
Industrial Relations Research Association
Madison, Wisconsin

Gentlemen:

We have audited the cash receipts and disbursements of the Industrial Relations Research Association for the fiscal year ended November 30, 1961 and submit herewith our report consisting of this letter and the following exhibits:

Exhibit "A"—Statement of Cash Receipts and Disbursements for the Fiscal Year Ended November 30, 1961

Exhibit "B"—Comparative Statement of Cash Receipts and Disbursements for the Fiscal Years Ended November 30, 1960 and November 30, 1961

Exhibit "C"—Bank Reconciliation, November 30, 1961

The available cash resources of the Industrial Relations Research Association on November 30, 1961 totaled \$14,514.86, consisting of \$9,514.86 on deposit in the First National Bank and \$5,000.00 invested in the Home Savings and Loan Association. These balances were confirmed directly to us by the bank and the savings association.

As is set forth in Exhibit "A" and "B", the cash receipts for the fiscal year totaled \$13,482.83 and the disbursements totaled \$12,207.32. The receipts exceeded the disbursements by \$1,275.51. The cash receipts for the 1959-60 fiscal year exceeded the cash receipts for the 1960-61 fiscal year by \$1,686.24. The cash disbursements for the 1959-60 fiscal year exceeded the cash disbursements for the 1960-61 fiscal year by \$5,629.63.

The cash receipts journals for the various classifications of income were footed by us. The total cash deposited in the bank exceeded the recorded cash receipts by \$125.93. We were unable to identify the source of the cash overage.* We have suggested an improved method of recording receipts in the future to the bookkeeper. There have been variances in preceding years between the amount of receipts recorded and the amount deposited in the bank. We feel by following our suggested method of recording receipts, these variances will be eliminated in future years.

All cancelled checks returned by the bank during the year were examined by us and traced to the disbursement records. The cash disbursement records were footed by us.

In our opinion the accompanying statement of cash receipts and disbursements fairly presents the cash transactions of the Industrial Relations Research Association for the fiscal year ended November 30, 1961.

Respectfully submitted,
KELLOGG, HOUGHTON & TAPLICK
Certified Public Accountants

* December 22, 1961

Executive Board
Industrial Relations Research Association
Madison, Wisconsin

Gentlemen:

Subsequent to the completion of our audit report of the Industrial Relations Research Association for the fiscal year ended November 30, 1961, a cash receipts item of \$89.00 was discovered which had not been previously recorded in the cash receipts journal.

This item consisted of registration and luncheon tickets which had been sold for the spring meeting. The funds were deposited in the bank on July 19, 1961.

Our audit report shows an unidentified cash overage of \$123.93. After taking this receipt into consideration, the unidentified receipts item would be reduced to \$36.93.

Respectfully submitted,
KELLOGG, HOUGHTON & TAPLOCK
Certified Public Accountants

RT:db

INDUSTRIAL RELATIONS RESEARCH ASSOCIATION

Madison, Wisconsin

COMPARATIVE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Fiscal Years Ended November 30, 1960 and November 30, 1961

	Year Ended 11-30-61	Year Ended 11-30-60	Increase	Decrease
Cash Receipts:				
Membership Dues	\$ 9,795.15	\$10,374.00	\$	\$ 578.85
Subscriptions	945.00	973.00		28.00
Sales	1,444.07	1,799.48		355.41
Royalties	240.07	331.12		91.05
Mailing List	280.90	318.50		37.60
Cash Over	125.93	167.94		42.01
Travel, Conferences and Meetings	451.71	968.13		516.42
Interest Income	200.00	200.00		
Miscellaneous		36.90		36.90
Totals	\$13,482.83	\$15,169.07	\$	\$1,686.24
Cash Disbursements:				
Salaries and Social Security	\$ 3,186.45	\$ 3,179.25	\$ 7.20	\$
Printing	1,062.94	1,063.63		.69
Postage	570.47	1,088.48		518.01
Services and Supplies	813.82	677.88	135.94	
Publications	5,540.76	10,690.20		5,149.44
Travel, Conferences and Meeting Expense	831.07	966.25		135.18
Miscellaneous	152.50	70.00	82.50	
Membership Dues Refunds..	12.00		12.00	
Telephone and Telegraph	37.31	101.26		63.95
Totals	\$12,207.32	\$17,836.95	\$	\$5,629.63
Excess of Receipts over Disbursements	\$ 1,275.51	\$ (2,667.88)	\$3,943.39	\$
Add: Beginning Bank Balances	8,239.35	10,907.23		2,667.88
Bank Balance, End of Year	\$ 9,514.86	\$ 8,239.35	\$1,275.51	\$
Home Savings and Loan Certificate No. 3384 Purchased in 1954	5,000.00	5,000.00		
Available Cash Resources	\$14,514.86	\$13,239.35	\$1,275.51	\$

PROGRAM

Fourteenth Annual Meeting—New York City

December 28-29, 1961

Belmont Plaza Hotel

Thursday, December 28

9:00 a.m.—5:00 p.m.—Registration, Belmont Plaza or Commodore

SESSION I—9:30 a.m.—12:00 noon—Hotel Commodore—Main Ballroom. Joint Session with American Economic Association

PROBLEMS OF PERSISTENT UNEMPLOYMENT

Chairman: Philip Taft, Brown University

Papers: Stanley Lebergott, Bureau of the Budget, "Unemployment Statistics for Fiscal and Monetary Policy"

William H. Miernyk, Northeastern University, "Problems and Remedies for Depressed Area Unemployment"

Richard Wilcock & Walter H. Franke, University of Illinois, "Will Economic Growth Solve the Problem of Long-term Unemployment?"

Discussants: George Borts, Brown University

Robert J. Lampman, University of Wisconsin

John G. Turnbull, University of Minnesota

SESSION II—9:30 a.m.—12:00 noon—Moderne Room

TRADE UNION GOVERNMENT AND THE EVIDENCE OF LANDRUM-GRIFFIN

Chairman: Morris D. Weisz, American University

Papers: Jack Barbash, University of Wisconsin, "Concepts of Trade Union Government"

Herbert Lahne, U. S. Bureau of Labor Management Reports, "BLMR Files as a Research Source"

Arnold Weber, University of Chicago, "Craft Representation in Industrial Unions"

Discussants: W. Ellison Chalmers, University of Illinois

Peter Henle, U. S. Dept. of Labor

Herbert R. Northrup, University of Pennsylvania

SESSION III—9:30 a.m.—12:00 noon—Blue Room

EMPLOYMENT PROBLEMS OF RACIAL MINORITIES

Chairman: Elmer Carter, Governor Rockefeller's Committee on Intergroup Relations

Papers: F. Ray Marshall, Louisiana State University, "Some Factors Influencing Union Racial Practices"

Paul H. Norgren, Princeton University, "Governmental Fair Employment Agencies: An Appraisal of Federal and State Efforts to End Job Discrimination"

Discussants: John Hope II, President's Committee on Equal Employment Opportunity (on leave from Fisk University)
Rev. Jerome Toner, St. Martin's College
Emory Via, University of Wisconsin

SESSION IV—2:00 p.m.—4:30 p.m.—Moderne Room

IS OUR UNEMPLOYMENT COMPENSATION SYSTEM ADEQUATE TO MEET THE NEEDS OF THE ECONOMY AND THE UNEMPLOYED?

Chairman: Richard A. Lester, Princeton University

Papers: Norman Barcus, Michigan Employment Security Commission, "Problems of Financing an Adequate Benefit Program in the Next Decade"

Philip Booth, U. S. Dept. of Labor, "Unemployment Insurance and the Challenge of the 1960's"

Fred Slavick, Cornell University, "Ability of the Federal-State System to Provide Benefits in Time of Recession"

Discussants: Rev. Joseph M. Becker, S.J., St. Louis University
Arthur F. Burns, President, National Bureau of Economic Research, Inc.
Harry F. Stark, Rutgers University

SESSION V—2:00 p.m.—4:30 p.m.—Blue Room

WHAT CAN LABOR HISTORY CONTRIBUTE TO AN UNDERSTANDING OF INDUSTRIAL RELATIONS?

Chairman: Norman Jacobs, Managing Editor, *Labor History*

Papers: George Brooks, Cornell University, "The Relevance of Labor History to Industrial Relations"

Maurice Neufeld, Cornell University, "The Sense of History and the Annals of Labor"

Lloyd Ulman, Council of Economic Advisers (on leave from the University of California), "Impacts of the Economic Environment on the Structure of the Steel Workers' Union"

Discussants: Albert A. Blum, Michigan State University

Joseph Shister, University of Buffalo

Abraham J. Siegel, Massachusetts Inst. of Tech.

EXECUTIVE BOARD MEETING—6:00 p.m., Crystal Room

SMOKER—9:00 p.m., Blue Room

Friday, December 29

BREAKFAST—8:00-9:00 a.m., Crystal Room. W. E. Upjohn Institute for Employment Research, by invitation

SESSION VI—9:30 a.m.-12:00 noon—Moderne Room

THE BEHAVIOR OF WAGES IN SPECIAL AND ADMINISTERED LABOR MARKETS

Chairman: Emanuel Stein, New York University

Papers: Robert Evans, Massachusetts Institute of Technology, "Worker Quality and Wage Dispersion: An Analysis of a Clerical Labor Market in Boston"

Frank Pierson, Swarthmore College, "Wages and Prices Under Big Unionism"

Philip Ross, Brown University, "Local Labor Market Behavior and the Aggregate Relationship Between Unemployment and Wages"

Discussants: William G. Bowen, Princeton University

Mark W. Leiserson, Yale University

Robert B. McKersie, University of Chicago

SESSION VII—9:30 a.m.-12:00 noon—Blue Room

SOME MANAGEMENT POLICIES AND THEIR MEANING FOR TODAY

Chairman: Neil W. Chamberlain, Yale University

Papers: Nicholas Kelley, Attorney, Kelley, Drye, Newhall & Maginnes, "Automation and the Future"

Walter V. Ronner, Attorney at Law, "Handling Grievances in a Non-Union Plant"

Edward L. Cushman, American Motors Corp., "Progress Sharing and Its Implications"

Discussants: Charles C. Killingsworth, Michigan State Univ.

Charles A. Myers, Massachusetts Inst. of Tech.

William K. Gomberg, University of Pennsylvania

LUNCHEON—12:00 noon, Moderne Room—Presidential Address

SESSION VIII—2:00 p.m.—4:30 p.m.—Moderne Room

THE LABOR FORCE IN SPECIAL INDUSTRIES: ITS CHARACTER AND PROBLEMS

Chairman: Harry M. Douty, U. S. Dept. of Labor

Papers: Margaret K. Chandler, University of Illinois, "Competition Between the Inside and Outside Labor Force for the Work of the Industrial Firm"

Elmo P. Hohman, Northwestern University, "Labor Problems in the Merchant Marine"

Daniel H. Kruger, Michigan State University, "Trends in Public Employment"

Discussants: Joseph P. Goldberg, U. S. Dept. of Labor

Herbert G. Heneman, Jr., Univ. of Minnesota

Herman M. Somers, Haverford College

SESSION IX—2:00 p.m.—4:30 p.m.—Blue Room

THE EVOLUTION OF WORK RULES AND THEIR EFFECTS ON EMPLOYMENT

Chairman: James C. Hill, Labor Arbitrator

Papers: Jacob J. Kaufman, Pennsylvania State University, "Logic and Meaning of Work Rules on the Railroads"

E. Robert Livernash, Harvard University, "General Problem of Rules as They Apply Under Union Contracts"

Jack Stieber, Michigan State University, "Work Rules in Manufacturing"

Discussants: William Gomberg, University of Pennsylvania
David Kaplan, President, The Economics of Distribution
Foundation, Inc.
Garth L. Mangum, Brigham Young University

GENERAL MEMBERSHIP MEETING—4:30 p.m.—Moderne
Room

I.R.R.A.

ANNUAL PROCEEDINGS

1961