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Survey of LABOR ECONOMICS

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REVISED EDITION

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SURVEY OF LABOR ECONOMICS

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PREFACE
TO THE FIRST EDITION

FEW INDEED ARE THE COLLEGE MEN AND WOMEN WHO WILL NOT some time be called upon to make some important decisions involving employer-labor relations and the status of wage earners in our economic and political life. Many will enter business as managers, industrial engineers, or labor relations officers and thus be directly involved in all phases of labor problems. Some will enter the labor movement as economic advisers; others will go into some branch of the government service where they will be called upon to administer labor laws and to assist in the adjustment of employer-labor disputes. Those who become lawyers, educators, and clergymen will find themselves called upon to counsel with employers and workers' representatives and to render decisions on specific labor issues. Even though never directly engaged in labor matters, as voters and participants in public affairs all citizens are called upon to make decisions which vitally affect the well-being of millions of workers as well as the economic and political destiny of the nation.

Persons who are directly and indirectly concerned with labor matters must have not only a background knowledge of the general principles and underlying forces, but also an intimate awareness of the specific problems ensuing from the application of these principles and the impact of these forces. This text is designed to provide the basic factual data, which are the tools for action and thought, as well as a knowledge of the major theories which seek to explain the causes and results of economic phenomena relating to labor. Because one cannot understand the present, or plan for the future, without a knowledge of past thinking and action, some emphasis is given to the historical development of current theories, practices, and institutional arrangements.

"Labor" has many facets and a study of labor economics must

therefore have a number of different approaches. Labor can be considered as a "natural" resource, in which case one is interested in population problems and the amount and kinds of labor available in the labor market. Labor can be considered as a commodity or service to be bought and sold, in which case wages or the amount of money paid and received for labor is of paramount interest. Labor can be treated as a productive machine with discussion centered around the conditions which promote its maximum efficiency and productivity. But "labor" is all these and much more. The most fundamental fact about labor is that it is inseparable from the laborer himself. Labor is not an amorphous flow of energy or an abstract economic element; workers are consumers as well as producers, and as human beings they are subject to the same desires and motivations as other mortals. A study of labor economics, therefore, must give consideration to personal reactions and group relationships as well as the conditions which affect the well-being of workers.

Although this volume deals with the same general subjects commonly included in texts on labor problems, the present approach is not of labor as *a* problem or as an aggregation of problems, but rather as one special field of economics. The economics of labor is no more or no less a "problem" than is taxation, money and banking, marketing, or any other subject included in the family of economic sciences. True, there are many problems peculiar to labor and labor relations, but it appears to the present author that they can be best understood within a framework of economic analysis rather than approached as pathological phenomena. To illustrate, the present volume includes a separate chapter on productivity in which modern technological developments are treated as assets to the general well-being, in contrast to the more usual treatment in labor problems texts which deal with them solely as causes of unemployment, although, of course, the impact of improved technology is considered in the discussion of unemployment.

This text is intended for a survey course; it is equally adaptable for use by smaller colleges which offer a limited number of specialized courses, and by larger institutions as a foundation for further advanced study in the field of labor economics and labor relations. While it is assumed that most students will have had a general

principles course before taking a course in labor economics, so closely interrelated are all economic elements that a study of one branch, such as the economics of labor, could well be used as a cornerstone for the study of general economic principles. A discussion of wages, for example, necessarily involves a consideration of all other prices and could, therefore, be used as a point of departure for a general discussion of the concepts of value, principles of distribution, and theories of marginal productivity. Members of adult education classes, in particular, might become more interested in a study of the general principles of economics via the approach of wages and unemployment about which they have personal and intimate knowledge.

FLORENCE PETERSON

January, 1947

PREFACE
TO THE REVISED EDITION

TWO REASONS JUSTIFY THE EFFORT AND EXPENSE INCIDENT TO THE publication of a new edition of a textbook, *viz.* to bring the discussions and statistical data up to date, and to improve or expand sections in accordance with the author's more recent thinking and in response to suggestions made by the users of the former edition. To achieve this with the present edition of the *Survey of Labor Economics* it was necessary to rewrite many of the chapters appearing in the earlier edition, to add several new chapters, and to make major or minor revisions throughout the volume.

The manuscript for the first edition of this text was completed in the fall of 1946. Much has happened during the four years since that date in the trend of wages and prices, in employment, in the field of social security, in union and collective bargaining activities, and in government policy toward labor-management relations as exemplified in the passage of the Taft-Hartley Act. The latter, because of its pervasive effects upon almost every aspect of labor economics, has necessitated revisions throughout the volume.

In Parts One and Two of the present edition discussions on theories of unemployment and wages have been considerably expanded and the latest statistical data on labor force, employment, and wages have been added. The "Wage Supplements" chapter includes descriptions of the private pension and benefit plans which have recently been established through collective bargaining, and the chapter on "Government Regulation of Wages" includes the latest amendments of the Fair Labor Standards Act.

A number of chapters in Part Three have been almost completely rewritten. The history of the labor movement has been brought up to date and otherwise expanded into two chapters. Included are the recent activities of unions in the political and in-

ternational fields and their efforts to rid themselves of Communist influence. An entirely new chapter is devoted to a discussion of the present methods for the adjustment of labor disputes and a discussion of the feasibility and implications of alternative methods, with special reference to compulsory arbitration. For a better understanding of the complexities and causes of labor disputes, a brief account of the major work stoppages during the past fifty years is included. The chapter on "Legal Foundations" not only includes a discussion of the provisions of the Taft-Hartley Act but this chapter and the succeeding "Problems" chapter have been entirely reorganized in order better to integrate the new legal concepts embodied in this law and the judicial determinations following the law's passage. The "Problems" chapter also contains a new section dealing with government employees and the controversial questions concerning their rights to strike and to bargain collectively.

An important addition in this volume is the new chapter on "Union-Management Coöperation" which goes into the basic philosophy and merits, as well as the potential pitfalls, of the various suggestions and endeavors for achieving the laudable goal of industrial peace and efficiency. The 1950 amended Social Security law was enacted just before this volume went to press and it was therefore possible to incorporate these latest changes in our federal assistance and insurance programs.

The inclusion of new material throughout the volume has resulted in a text which is somewhat longer than the former edition even though the present volume includes fewer statistical tables. Despite the major revisions, the general character of the original edition has been maintained. The author's purpose in both volumes has been to provide the student with a broad factual and theoretical acquaintance with the manifold aspects of wage and employment conditions, employer-labor relations, and social security. Throughout the volume the historical approach is used, on the assumption that present conditions and attitudes can be understood only in the light of past thinking and developments. The significance of current legislation and judicial decisions, for instance, cannot be appreciated unless one is familiar with the long history of government regulation of wages, hours, and union activities; the reaction of workers to what they consider to be

restrictions upon their "legitimate" functions cannot be understood except in the perspective of their past struggles and disappointments; efforts to obtain adequate insurance measures must be related to past periods of unemployment when there was no provision for the alleviation of hardships resulting from loss of income.

The material in this text is organized in such a way as to permit a great deal of flexibility in approach, in accordance with the interests and needs of particular groups of students and the subjects they have already studied. Some instructors, for example, may wish to begin with Part Three dealing with the labor movement and collective bargaining before taking up the theories and factual aspects of employment, wages, and hours. The volume can be used for one or several semester courses. In colleges where most of the students will take only one course in the field of labor, the instructor may wish to assign all or most of the chapters, on the assumption that it is more important to have the student gain a realization of the complexities and variety of the problems in preference to an intensive knowledge of one or two phases. Where several courses are offered, the chapters on unemployment and Part Four, combined with selections from the suggested reading lists at the end of each chapter, will afford adequate material for a course on Social Security. Part Three provides basic text material for a course on the Labor Movement and Labor-Management Relations; Parts One and Two for a course on Employment and Wages. For an introductory course on Personnel Management, the chapters dealing with labor force, selection and training, wage structure, scientific management, adjustment of grievances and union-management coöperation, are suggested.

The author is gratified with the wide reception given the earlier volume and trusts this revised edition will prove equally satisfactory in meeting the current needs of instructors and students.

FLORENCE PETERSON

January, 1951

Part One

Employment and Unemployment

CHAPTER 1

POPULATION

HUMAN BEINGS ARE THE SOURCE AND END OF ALL ECONOMIC ACTIVITY. It is the wants and needs of people which create the demand for goods and services, and the supply of those goods and services is possible only through the mental and physical efforts of people. If people are at once the producers and the consumers of economic products, why, at certain times, is there an insufficiency of persons to do the work at hand or, as more frequently happens, why does there seem to be a greater number of people than are needed to supply the demands for goods?

This is the basic and major problem of labor economics. It is directly and indirectly related to all other problems affecting workers and their relations with their employers. The way it is resolved determines not only the comparative well-being of workers, but the very type of political government which entire nations live by.

The crux of the problem lies in the fact that, while the labor of human beings is a primary factor, it is not the sole factor involved in the productive process. The production of physical goods is the result of the joint action and interaction of natural resources, capital goods which are actually the result of past labor, and business risk and enterprise, as well as direct labor. Although it is true that the employment of human beings determines what shall be produced and how much, the converse is also true; the kinds and amounts of commodities produced determine the number of persons who are employed.

The problem then is one of adjustment, and many theories have been offered to explain the many and frequent maladjustments which are always in evidence between the demand for labor and the supply of labor. Basically it is a question of population and its relation to the other factors involved in the production and consumption of economic goods.

THEORIES OF POPULATION

The theory on the cause and effect of population changes which has aroused the most discussion during the last 150 years is that of Thomas R. Malthus, who published his first essay on population in 1798. Malthus lived at a time when the population of England was rapidly expanding, and general living conditions were improving for most people as a result of the passing of feudalism and the beginning of modern industrial development resulting from such inventions as the spinning mule (1779), the steam engine (1785), and the power loom (1784–1787). Along with the general improvement, however, the conditions of large masses of the people were becoming worse. In contrast to the comparative security which they had had under the manorial system of agriculture, the introduction of machinery and factories had caused unemployment and pauperism.

Malthusian Theory

Malthus contended that the primary cause of this misery was an excessive growth in population; that population is necessarily limited by the means of subsistence; and that, if unchecked, it always outruns the food supply. This he explained by saying that population tends to increase in geometrical ratio (1, 2, 4, 8, 16, 32, 64, etc.); in other words, with average size families of four or five children, the population tends to double each generation. Subsistence and food supply, on the other hand, can at best increase only in arithmetical ratio (1, 2, 3, 4, 5, 6, 7, etc.). If these ratios endured, any given population would increase to 64 times its original size in about 150 years, but its subsistence would increase only 7 times.

Obviously, such a ratio could not persist, and Malthus concluded that vice and misery operated as checks on population growth. While voluntary reduction in the birth rate[1] might serve as a preventive check to population growth, Malthus believed population would always tend to increase beyond the means of subsistence, and consequently vice and misery were inevitable.

[1] Malthus spoke in terms of "moral restraint" and postponement of marriage, rather than in terms of the modern birth control methods, which are sometimes referred to as neo-Malthusian.

War, disease, famine, bad housing, and other conditions causing a high death rate were necessary to offset a naturally high birth rate. Thus, the belief that population tends to grow more rapidly than available food supplies developed the "natural" theory of poverty.

During most of the 19th century, Malthus' pessimistic conclusions on the conflict between the biological urge of man and the relative niggardliness of nature were commonly accepted, not only as a valid theory of population growth, but as an explanation and justification for child labor, low wages, and the miserable living and working conditions existing at the time. His theory was used as an argument against all economic and social reforms, as a scientifically proved "natural" law against which it was futile to strive, no matter how laudable the motive might be.

More recent scientific developments, as well as changes in social attitudes, seem to indicate that many of Malthus' assumptions may not be entirely true, and this has caused his doctrine of the natural law of population to be questioned. Agricultural technology, soil conservation and enrichment, physiochemical research in the use of synthetics have resulted in an enormous actual and potential increase in food supplies. Improved means of transportation enable each region to specialize in those crops for which its soil and climate are best suited, and also reduce the hazards of famine. Except for the very important effect of war,[2] the death rate in most countries has declined as a result of improved sanitation and medicine.

Of greatest significance, so far as Malthus' theory is concerned, has been the decline in the birth rates in most modern industrial countries. The implied assumption of Malthus' theory that workers' families would become larger as the means of subsistence increased (which in turn would cause the downward spiral as a result of population pressure) has not been substantiated by experience. The reverse seems to be true, namely, when people are able to rise above the subsistence level of living, they have smaller families. Ambition is substituted for resignation, and parents decide to have fewer children in order to give them the opportunity

[2] While outside the scope of this brief discussion, any comprehensive treatment of theories of population would be clearly deficient if it ignored the relationship between war and pressure of population on means of subsistence.

to advance still further.[3] Experience indicates that: "The initial stage of the Industrial Revolution, wherever its impact has been felt, has been characterized by a period of rapid population growth which has resulted from the joint effects of the persistence of the high fertility pattern of an agricultural society and the rapidly declining mortality rate which has accompanied the introduction of modern sanitation and medicine. The later stages of industrialization, characterized by the presence of predominantly city populations and urban patterns of life, have inevitably been accompanied by rapidly declining fertility and the retardation of rates of population."[4]

Optimum Theory

The fact that there has been a declining birth rate in industrialized countries when the means of subsistence have markedly improved would seem to refute any theory of the "natural" law of population. It raises the question whether the growth of population is affected more by social than by biological forces. If the former is true—that is, if it is the social will and desire of the people which primarily determine population growth—then the population of any country would tend to be the size which secures the highest per capita production of the goods and services that the population wants and needs.

According to this optimum theory of population, the highest possible level of living is attained with a certain population size. If the population increases beyond this number the means of subsistence are spread too thin; if there are too few people there is insufficient specialization or division of labor to bring about maximum production. The two forces of potential production and population tend to balance, however, for mankind is always striving toward that "number which—taking into consideration the nature

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[3] Also Malthus, born in the 18th century, could not foresee the change in the economic condition and mental attitude of women which has caused them to marry later in life, as well as to have fewer children after marriage. One authority on Malthus has commented: "One can read the essay from cover to cover without encountering a passage which indicates that Malthus even thought women have anything to do with population." (A. B. Wolfe in *Population Problems*, edited by Louis Dublin.)

[4] G. C. Hauser and Conrad Taeuber, "The Changing Population of the United States," *Annals of the American Academy of Political and Social Science*, January, 1945.

of the environment, the degree of skill employed, the habits and customs of the people concerned, and all other relevant facts—gives the highest average return per head."[5]

This is a comforting theory and as acceptable as any other theory which seeks to explain the causes of the present obvious maladjustments as forces *tending* toward that ever future but never attained state of equilibrium. As a matter of abstract reasoning, there is no doubt that there is an optimum density of population for any given area at any given time. Moreover, the theory has the virtue of assuming that the function of the economic process is to serve individual people; that growth of population is determined by the economic desires of the people of a nation rather than by the military and political designs of those who happen to be in control of a nation.

However, as a guide or principle for social planning or action, the optimum theory has little practical value. Population is fixed not by anything happening at the moment, but by the habits and actions of millions of disconnected households a generation back. No one is able to say what the optimum population really is under a given set of circumstances—much less foretell what circumstances will prevail a generation hence!

Theories of population may be laid aside, then, but the factor of population remains a fundamental force in every phase of economic development. The number of workers available for productive enterprise at any given time or place, as well as their capacities for producing, are ultimately dependent upon the size and composition of the general population. The trend of population in any region or country is a major influence on the trend of business activity. An expanding population automatically creates additional markets which in turn increase the demand for labor; a stationary or declining population provides no automatic extension of markets and requires an entirely different complement of economic adjustments.

POPULATION GROWTH

During the century preceding the First World War the population of Europe doubled and that of the United States increased

[5] Alexander M. Carr-Saunders, *The Population Problem,* Clarendon Press, Oxford, 1922, p. 476.

twelvefold—from 8 million to 100 million. The increase in European population took place while more than 40 million[6] persons emigrated to the Americas and elsewhere. Population expansion in this country was a result of both natural increase and immigration. During that century the population of the United States was augmented by 30 million immigrants. The estimated natural rate of increase was 30 per 1000 per year at the beginning of the 19th century, declining gradually to 15 per 1000 per year at the turn of the 20th century.

In both Europe and the United States there was a decreasing *rate* of population growth between the two World Wars, although the *actual* population increased in most countries.[7] In France there was a decrease not only in rate but in actual numbers. In Europe the lessening in the rate of growth was due to a decreasing birth rate; in this country to both a decline in the birth rate and a drastic curtailment of immigration.

The rate of population growth took an upward turn immediately following the close of World War II. In spite of the great loss of life caused by the war, it was estimated that world population in 1950 was more than 200 million in excess of that in 1939. Those concerned with the problem of feeding the peoples of the world question whether it is possible to provide minimum subsistence, much less an improved standard of living, if the increase continues. For the world as a whole there remains the problem whether, in the race between population and food supply, population is not winning and whether, as Malthus stated, the checks of

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[6] It is estimated that 60 million persons actually emigrated, but that one-third or one-fourth of these returned home. (W. S. Thompson, *Population Problems,* McGraw-Hill Book Company, Inc., New York, p. 376.)

[7] According to the League of Nations *Statistical Year Book 1939–1940,* the estimated world population in 1940 was:

World	2,175,600,000	Africa	155,500,000
Europe	540,000,000	Asia	1,193,600,000
Americas	275,700,000	Oceania	10,600,000

According to calculations made by the Swedish Statistiska Centralbyrain, the numbers of persons per square mile of arable land living in various countries in 1937–1939 were:

Canada	121	Sweden	442	Greece	796	Switzerland	2153
Australia	137	France	524	Italy	883	Netherlands	2210
U. S.	259	New Zealand	537	Germany	927	Great Britain	2421
Spain	427	British India	780	Belgium	2126	Japan	3131

famine, war, and pestilence will inevitably have their sway.[8] The only alternative would seem to be a general rise in living standards with its accompanying decline in the birth rate.

IMMIGRATION

Migrations of people from one area to another have been an almost constant phenomenon of human history. Throughout the ages discontented and oppressed peoples have journeyed to far lands in search of opportunities to improve their conditions of living. Since the dawn of history, however, there has never been such an extensive and prolonged voluntary[9] migration as the movement of Europeans to the United States during the hundred years between 1825 and 1925.

Although immigration was the genesis of our national life, the number of persons migrating to our shores averaged no more than a few thousand each year during the 180 years of colonial history and the first few decades after the Republic was founded.[10] Beginning in 1832 the stream of immigration increased, an average of 77,500 persons entering the country each year during the following fifteen years, and an annual average of more than 266,000 thereafter until the outbreak of the War Between the States; immigration increased after this war except for brief periods of business depressions. The all-time peak was between 1903 and 1914. During these eleven years there was an average entry of

[8] Ireland is an example of a marked decline in population following a period of starvation. During the Irish "potato famine" a hundred years ago thousands actually starved to death. The population of Ireland in 1848 was 6½ million; today it is less than 3 million. Although some of this decline resulted from emigration to America, the Irish birth rate has dropped from among the highest to among the lowest in any European country.

[9] We are here referring to voluntary and permanent movements of peoples. The forced migrations in Europe and the Orient during the last decade are undoubtedly without precedent so far as numbers are concerned. For racial, political, and religious reasons, no less than 30 millions of persons in Europe, 10 millions in India and perhaps 30 to 40 millions in China have been forced to migrate to new areas.

[10] The first census was taken in 1790 and showed a population slightly under 4 million. Assuming a normal natural increase in population during the long years of colonial history, a large majority of the 4 million persons living in this country in 1790 must have been native born. The first five immigration reports available indicate an annual entry rate of 6000 to 10,000 persons between 1820–1825.

almost a million people a year. Following the close of the First World War the flow of immigration was resumed, over 800,000 persons entering in 1921 and over 700,000 in 1924. Immigration was drastically curtailed thereafter because of restrictive legislation in this country as well as in many European countries.[11] The average annual immigration during the decade before World War II was only about 50,000, and during the war about 30,000. Since the war the net immigration has been about 180,000 a year. Only about half of these recent immigrants represent additions to the labor force, the others being women, children, and oldsters.

National Origins of Immigrants

Where did these immigrants come from? During the first 250 years of settlement of what is now the United States, almost all the settlers came from northern and western Europe except for the slaves imported from Africa.[12] It was not until after 1880 that any considerable number of persons from southern and eastern Europe came to this country; but by the middle of the 1890's over half, and after the turn of the century about three-fourths, of the immigrants arriving from Europe came from the southern and eastern countries, mostly Italy, Austria-Hungary, Poland, and Russia.

In 1854 the Chinese began to arrive, although the net immigration from China never amounted to more than a few thousand a year. In 1900 a Japanese wave of immigration started; it numbered from 10,000 to 30,000 a year for several years when it dropped sharply.[13] Mexicans began crossing the border in considerable numbers during World War I; by 1950 more than 850,

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[11] Although Great Britain and the Scandinavian countries encouraged overseas settlement after World War I, most of the other countries discouraged or prohibited their citizens from emigrating. The Soviet Union, for example, made emigration practically impossible, as did also Italy and Germany after the rise of Fascism.

[12] Nobody knows how many slaves were imported into this country during the 180 years prior to 1800 when importation practically ceased. The 1790 census showed 727,208 Negroes in the United States; they constituted almost 20 percent of the total population.

[13] The 1940 census showed 127,000 residents of the Japanese race, of whom 47,300 were foreign born and 79,700 were born in this country. The same census indicated 77,500 Chinese residents, of whom 37,200 were foreign born and 40,300 native born.

000 had legally entered the country, and additional numbers had crossed the border without benefit of legal approval.

Not all the immigrants who arrived became permanent settlers. Between 1908 (the earliest date for which emigration records are available) and 1923, almost 3½ million persons left the country. This was equal to about one-third the number who entered the country during these years. During the depression of 1929–1933 the emigrants who departed numbered 100,000 more than those who entered the country. Although most of the persons who came from northern and western Europe remained, over one-half of those from southern and eastern Europe returned home after a few years in this country. The Italians, especially those from southern Italy, were most prone to return after a few years' stay. Slightly more than 2 million immigrated to this country between 1908 and 1923, but more than 1 million went back to their native land.

Change in Attitude Toward Immigration

Why did these millions of people leave their homes to settle in this country? Some came to escape religious and political persecution, but most of them came to find jobs, and during most of those years an expanding America seemed to have jobs for all of them. A growing country was able to absorb an augmented population and to use a greatly increased labor force.

This fact is true, however: In almost every year when these immigrants were arriving there were hundreds of thousands of idle workers walking the streets of our cities. The newly arrived immigrants were able to find jobs because they were willing to work for less wages and under conditions which native-born workers were unable or unwilling to accept. Employers encouraged immigration and, until forbidden by law, colluded with the steamship companies—who found transporting these steerage passengers to be a profitable business—in advertising and sending agents to Europe to contract for laborers.

Immigration was profitable to the employers in several respects. It furnished them with an abundant supply of cheap and docile labor; the presence of mixed nationality and language groups made it difficult for unions to organize the immigrants but easy for the employers to play one group against another and all the

"foreigners" against the native Americans;[14] the available immigrant labor supply could be used as a threat by the employers to discourage strikes; and if strikes occurred, immigrants could be used as strikebreakers.

Organized labor, as might be expected, vigorously opposed unrestricted immigration and every American Federation of Labor convention passed resolutions demanding legislative action. Comprehensive legislation did not come, however, until the general public was aroused during World War I by the dangers of divisive groups within the population; "hyphenated Americans" became a popular slogan. When the threat of communism spread throughout Europe following that war, most employers also favored restriction because of their fear that immigrants might bring "foreign" ideologies into this country.

Restriction of Immigration

Although there had been previous legislation establishing health and character requirements for admission into the country, the first attempt at government restriction of immigration in order to protect American labor was directed against the Chinese coolies. In 1862 a law was enacted forbidding American vessels to transport coolies, and in 1882 the Exclusion Act was passed which altogether debarred Chinese coolies from entering the country. During the 1880's several laws were passed which prohibited the immigration of contract laborers (foreign laborers under agreement to work for particular employers), and in 1891 the steam-

[14] One well-known authority on labor problems gives the following report on a visit he made to a large Chicago packing company in 1904: "I saw seated around the benches of the company's employment office a sturdy group of Nordics. I asked the employment agent, How comes it you are employing only Swedes? He answered, Well you see, it is only for this week. Last week we employed Slovaks. We change about among the different nationalities and languages. It prevents them from getting together. We have the thing systematized. We have a luncheon each week of the employment managers of the large firms of the Chicago district. There we discuss our problems and exchange information. We have a number of men in the field who keep us informed . . . If agitators are coming or expected and there is considerable unrest among the labor population, we raise the wages all round . . . It is wonderful to watch the effect. The unrest stops and the agitators leave. Then when things quiet down we reduce the wages to where they were." (John R. Commons in D. D. Lescohier and Elizabeth Brandeis, *History of Labor in the U. S.*, The Macmillan Company, 1935, vol. iii, p. xxv.)

ship companies were forbidden to encourage immigration through advertisements in foreign countries. In 1903 the Immigration Service was transferred to the Department of Commerce and Labor as an official recognition that immigration was largely a labor problem.[15] In 1907 a "gentlemen's agreement" was made with Japan whereby that country agreed not to issue passports to her citizens who sought to immigrate to this country.

The first comprehensive attempt to control immigration was made in 1917 when an act was passed which required all adult immigrants to demonstrate their ability to read some language—English or any other. While this was called a measure to improve the quality of immigration, it actually was meant to be restrictive, and was directed primarily against Italians and eastern Europeans.[16] Over 20 percent of the immigrants who arrived in 1914 were illiterates, including over 100,000 southern Italians.[17]

Drastic restrictive measures were taken after World War I when the general public, alarmed about the problem of assimilation, joined with organized labor to obtain legislation which would limit the flow of immigrants into the country. A law passed in 1921 retained the literacy test and restricted the number of immigrants from any country to 3 percent of the number of persons of such nationality who were residents of the United States in 1910. Three years later (1924) further restrictions were imposed when the 2 percent quota law was enacted and the base year upon which the quotas were fixed was shifted to 1890, a period before the great influx of southern and eastern Europeans. The 1924

[15] The Immigration and Naturalization Service was transferred from the Department of Labor to the Department of Justice in 1940 because of war conditions and the responsibilities incident to the Alien Registration Act.

[16] A literacy test law was passed by Congress in 1897 but was vetoed by President Cleveland; President Taft vetoed another in 1913 as did President Wilson in 1915, but the latter law was enacted over Wilson's veto in 1917. In his first veto message President Wilson said: "The new tests here embodied are not tests of quality or of character or personal fitness, but tests of opportunity. Those who come seeking opportunity are not to be admitted unless they have already had one of the chief opportunities they seek, the opportunity of education."

[17] At the outbreak of World War I there were approximately 13½ million foreign-born residents (almost 15 percent of the entire population), almost one-fourth of whom could not speak English. At the outbreak of World War II there were 11½ million foreign-born residents in the country, representing almost 9 percent of the total population.

law excluded the Japanese by denying admission to all aliens, except for temporary purposes, who are ineligible for citizenship.

The 1924 law also included a "national origins" provision which was put into effect in 1929 and is the basis for current determinations for admittance into the country, except for the 210,000 refugees permitted entrance under the Displaced Persons Acts of 1948 and 1950. A total of approximately 154,000 immigrants are now allowed from the quota areas each year, the quota for each country depending upon its relative contribution to the population as determined by the census of 1920. The quota allotments for countries with quotas of 300 or more persons are as follows:

Asia[a]	1,649	Hungary	869
Belgium	1,304	Italy	5,802
Czechoslovakia	2,874	Lithuania	386
Denmark	1,181	Netherlands	3,153
Ireland	17,853	Norway	2,377
Finland	569	Poland	6,524
France	3,086	Portugal	440
Germany and Austria	27,370	Rumania	377
Great Britain and		Soviet Union	2,712
Northern Ireland	65,721	Sweden	3,314
Greece	307	Switzerland	1,707
		Yugoslavia	845

[a] Quotas for colonies and dependencies are included with allotments for the European country to which they belong.

In 1943 the Chinese Exclusion Act was repealed and Chinese immigrants are now eligible for citizenship; China's quota is 105 immigrants a year. In 1946 admission of immigrants of races indigenous to India was authorized and a quota of 100 established. Following the independence of the Philippine Islands in 1946 a quota of 100 was also established for Filipinos. None of the quota laws apply to the western hemisphere, although immigrants from these countries are subject to the other laws pertaining to contract labor, literacy, and health and character requirements. During the recent war emergency, special arrangements were made for the admission of alien agricultural workers from other American countries; these arrangements provided exemptions from the contract labor and literacy laws but included the requirement that

these immigrants leave the country after the close of the war. Through short-term contractual arrangements Mexican and West Indian farm laborers are now allowed to enter the country during the peak of the agricultural seasons.

INTERNAL MIGRATION

Immigration into this country has been an important factor in the nation's rapid development, but equally important has been the mobility of the domestic population. While there have been a few spectacular cross-continent movements, such as the California gold rush of 1848–1849, most of the Middle West and Far West has been developed through a process of constant and numerous short migrations of peoples, the settlers from the Atlantic seaboard moving across the Appalachians, some of their children moving into the Northwest Territory and the southern Mississippi valley, and some of their children in turn moving to the Far West, Southwest, and Northwest.

Reasons for Migration

As new areas develop and old ones become stationary or decline, people move elsewhere in order to develop new resources and relieve the older communities of surplus population. Migration is a normal process of adjustment to changes in economic opportunities. It may take place in response to known advantages in distant areas, or simply as a means of escaping onerous conditions at home but with no assurance of better conditions elsewhere.

The better opportunities in the new areas, as well as the worsening of conditions in already settled communities, may be due to natural or man-made causes, or both. The pioneer settlements were made in response to the natural opportunities offered by a new country having fertile soil and physical resources for industrial development. Subsequent migrations have been the result of major changes in industrialization and agriculture, prolonged droughts and business depressions, or the exhaustion of natural resources within particular areas.

The gradual migration from rural to urban communities, which has been particularly noticeable during the past fifty years, has been due both to increasing mechanization on the farms and to

expanding industrialization in the cities. In normal peacetime, movements from one industrial center to another may be caused by the general decline of an entire industry or the bankruptcy or transfer of large individual plants. In wartime the shifts in population are the result of loss of job opportunities in nonwar plants, and also of the pull of better jobs in war plants elsewhere.

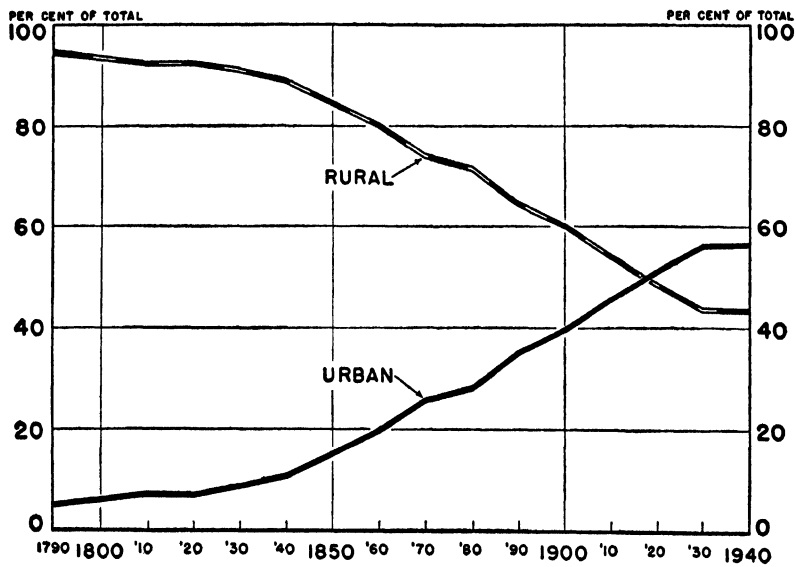

FIG. 1. *Trend of Urban and Rural Population, 1790–1940. Rural includes both farm and nonfarm population in communities of less than 2500. (Based on census data.)*

Migrations During the 1920's

Between 1920 and 1930 approximately 4½ million persons moved across state lines, and in the five-year period 1935–1940, almost 6½ million. Over 4½ million persons born east of the Mississippi River were living west of the river in 1940, and 2 million born west of the river were living in the east. These figures do not include the third and more moves made by some persons, or the number who moved one or more times within their original state.

The dominant migratory trend during the relatively prosperous 1920's was the movement from farms to cities. In 1920 about 51 percent of the country's population was urban; in 1930, more than 56 percent. During this decade there was a net movement of almost 6⅓ million persons from farms to cities. A majority of them came from farms in the New England, Atlantic, and Southern states, although considerable numbers came from farms in the North Central states and others were from the cut-over forest regions of Minnesota, Wisconsin, and Michigan. Three California cities—Los Angeles, Long Beach and San Diego—more than doubled in population, as did also Oklahoma City, Miami, Houston, and Chattanooga. The New York City metropolitan area increased its population by 1⅓ million persons, Chicago by 675,000, and Detroit by 575,000.

Migrations During the 1930's

Since 1930 three major occurrences have caused comparatively large and sudden migrations: (1) the great depression of the early thirties, (2) the prolonged droughts during the middle thirties, (3) the necessities of war production during the first half of the forties. In some instances the population movements occasioned by these events were a reversal of normal trends, but in most cases the shifts represented accelerations of movements already in process.

During the severe depression of 1930–1933, when the total pay roll of the country dropped to less than half its previous amount, the trend of migration to the cities was reversed when people began to move back to rural communities. In these three years there was a net movement of more than 764,000 persons from cities to farms. These people moved, not because the farms to which they returned offered economic opportunities, but in order to escape distress in cities where there were no jobs and little or no public relief. Those who were anxious to have the cities relieved of caring for these jobless families referred to this as a "back-to-the-land" movement. However, most of those who left the cities were forced to return to depleted areas which provided only the barest subsistence.[18] With

[18] In 1929 approximately 7,700,000 men, women, and children lived on 1,700,000 farms which provided a gross income of less than $600 a year, based on value of used, traded, and sold products. A study made after the depression revealed the fact that 1 in every 4 rural families in the U. S. received public

the first sign of business recovery and adequate relief in the cities, the farm-to-city migration was resumed and continued at an increasing rate. During World War II there was a reduction of almost 3 million persons in the farm-area population.

Another kind of migration was caused by the combined effects of the business depression, the innovation of the mechanical cultivation of cotton lands, and the prolonged droughts and subsequent dust storms in the Great Plains region during 1933–1936. This was a westward migration to the Pacific coast, mostly to California. This flight of poverty-stricken families, in old automobiles piled high with poor household belongings, aroused nation-wide interest[19] because of the numbers involved and because the direction in which they migrated was concentrated. It was essentially a movement of dislocated agricultural people who sought resettlement on other agricultural lands. Even though these refugees received a cold, if not hostile, reception in the areas to which they fled, their exodus from their former places of residence was an economic necessity. The many who migrated from the Great Plains moved away from a soil that was unsuited to the type of farming which had been begun in that area a few years previously.

The effect of this migration, together with the normal westward movement, was reflected in the 1940 census, which indicated that 57 percent of the persons then resident in California, and approximately 54 percent of those resident in Washington and Oregon, were born in other states. With the subsequent development and expansion of war industries on the Pacific coast, migration was again accelerated.

War and Postwar Shifts

In 1948 more than 15 million persons (12 percent of the population) were living in counties different from their counties of residence before Pearl Harbor; more than 12 million had migrated

relief sometime during the depression, and that more than 1 million farm families moved from one farm to another each year in a constant effort to find greater economic opportunities. According to this report, "The land of more than 500,000 of the nation's farms is so poor that it means actual starvation for the families dwelling on them." (Farm Security Administration of the Department of Agriculture, *Social Research Report VIII,* 1938.)

[19] As indicated by the popularity of the book and moving picture, *Grapes of Wrath,* by John Steinbeck.

across state lines. Never before in the history of our country had there been so great a shuffling and redistribution of population in so short a time as had taken place during the first half of the 1940's. The flow of population was largely toward the Pacific coast although a number of metropolitan centers in the South and the North, especially in the Great Lakes region, experienced gains in population through migration.

Between 1940 and 1948 there was a net migration of almost 3 million persons into the Pacific coast states. The migrations, as well as natural increases (births over deaths), resulted in a rise of 42 percent in the population of California and Oregon, and an increase of 36 percent in the population of Washington. Seven states in addition to those on the Pacific coast experienced abnormal growth as a result of war and postwar booms: Michigan and Ohio, and five states on the Atlantic coast—Connecticut, New Jersey, Maryland, Virginia and Florida.

The South, by contrast, experienced a net *outward* migration of almost 3 million persons—about the same as the migration *into* the Pacific coast. Certain southern cities such as Charleston, S. C., and Mobile, Alabama, however, gained in population through migration, indicating that the southern outward movement was largely from the rural areas. Other states, in addition to those in the South, which experienced net losses through shifts of population were Vermont, West Virginia, Nebraska, North Dakota, South Dakota, Montana and Idaho.

Although the population of New York City declined during the war, it increased by more than a million during the three years following the war. Some of this was due to natural increase, but more was the result of a sharp increase in immigration from Europe and migration of Puerto Ricans and Negroes from the southern states and from the West Indies. An estimated 120,000 Puerto Ricans and 270,000 Negroes moved into New York City between 1940 and 1949. The latter now make up one-tenth of the city's population. (Since 1900 when Puerto Rico became a territory of the United States, Puerto Ricans have had the right of free entry to the continental area. Residents of the colonies of West India enter under the quotas of the metropolitan powers and since these quotas are seldom filled by the "mother" countries, this leaves room for considerable migration from these colonies.)

Migration of Negroes

One of the most extensive and significant population movements in this country has been the migration of large numbers of Negroes from the south to the north and west. For a time after the War Between the States the southern Negroes moved in two diverging directions: Those from the northern rim of southern states moved farther north, and those from the lower east Atlantic section moved southward and westward to Florida, Louisiana, Oklahoma, and especially Texas.[20]

Job opportunities during the First World War reversed this southwest movement to the north and east. The 1920 census indicated that over 780,000 southern-born Negroes were residents of northern states and that the Negro population of the North had increased about 50 percent during the preceding decade. By contrast, the proportion of Negroes in the south had declined from one-third to one-fourth of its total population. The trend northward continued after the war; during 1923 almost one-half million Negroes went north, 60 percent of whom moved into Ohio and Pennsylvania.

The movement of Negroes represents not only a shift in geographical distribution but also a change from rural to urban settlement. In the south, a large majority of the Negroes are farm laborers or tenants; when they move north they go to the cities, especially the larger cities. In 1930, the latest year for which such data are available, 81 percent of the Negro population of Chicago were southern born; 84 percent of those residing in Detroit, 77 percent of those in Cleveland, almost 70 percent of those in Philadelphia, and 54 percent of those in New York City had migrated from states to the south. (More than one-fifth of the Negro residents in New York City in 1930 were born in the West Indies and outlying islands.) Today, at least half the Negroes in the country

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[20] The apparent growing concentration of Negroes in the Southwest during these years led one well-known observer of American life to consider the possibility that the Negroes would become an ever smaller proportion of the northern population and the center of Negro population would more and more shift southward; that "the African is leaving the colder, higher, and drier lands for regions more resembling his ancient seats in the Old World." (James Bryce, *American Commonwealth,* The Macmillan Company, New York, 1895, vol. ii, p. 492.)

live in urban communities, in contrast to fewer than 20 percent fifty years ago.

According to the 1940 census, there was a net gain during the preceding decade of almost 1½ million Negroes in the north due to migration from the south. However, 77 percent of the total 12,866,000 Negroes in the country were still living in the south; less than 22 percent were in the north and only 1 percent on the Pacific coast. During World War II the migration of Negroes was greatly accelerated, many moving to the Pacific coast to accept employment in war plants.

The urge and the opportunity for better jobs elsewhere have been the dominant reasons for Negro migration during past years. Another reason looms: Within the next decade it is expected that 5 to 8 million Southerners, of whom the majority are Negroes, will be driven off the land by the mechanical picker and the geographical shift of cotton farming. The prospects are that several million southern Negroes will move to northern and Pacific coast cities during the next few years, regardless of business conditions and whether or not urban jobs are available for them.

OUR FUTURE POPULATION

Labor conditions in the future, as in the past, will continue to be influenced by the rate of growth and change in composition of the country's population. Because almost all labor problems stem from maladjustments of labor supply and labor demand, the future trend of population must be taken into consideration as an important factor in most of the labor problems which will arise. The economics of a rapidly expanding country is drastically different from that of one having a stationary or slow-growing population, and the very process of slowing up results in shifts in age groups and other changes in its general make-up, as well as in its economic behavior.

Economic Effects of Changes in Population

A rapidly expanding population means not only an increase in the supply of available labor but also an increase in the number of consumers or purchasers for the goods produced. Millions of additional homes must be built and furnished, thousands of schools,

churches, and other community facilities constructed, roads and transportation vehicles provided to take care of an expanding population—in addition, of course, to the constantly increasing volume of food, clothing, and other consumers' goods which are required. A certain amount of business expansion is automatic with an increase in population and number of consumers; this is especially true with respect to those businesses which provide the necessities for living, for no matter how poor the expanded population may be it will consume a minimum amount of food and clothing.

In a country with a slow-growing or stationary population, all other things remaining the same, there will be little or no demand for net additions in building construction or volume of consumers' goods; the only demand will be for replacements. Business expansion, excluding the factor of foreign trade, becomes entirely dependent upon increasing the individual purchasing power of the existing population. Since there is no increase in the number of purchasers, there must be an increase in the amount of individual purchasing. Furthermore, accompanying a change in the level of individual consumption there will be a change in the character of purchases, for after the basic necessities have been obtained, more and more of the purchasing will be for goods and services which provide the comforts and luxuries of living.

It is obvious, then, that changes in a country's population not only affect the nature and volume of the country's business activity but also create many problems of economic adjustment. Later chapters will deal with the impact of population changes upon labor supply and job opportunities, as well as the effect of a lifting or lowering of individual purchasing power on business enterprise, work, and living conditions. Here we are concerned only with the question of what changes in our population are likely to take place in the near future.

Factors Affecting Population

As already mentioned, the population of any country is augmented through one or both of the following means: through immigration from other countries and through an excess of births over deaths, that is, by natural increase. According to the present laws, the maximum possible increase through immigration, except

from other countries in the western hemisphere, is about 150,000 persons per year. Any greater expansion, therefore, is dependent upon the rate of natural increase of the native population.

A decline in the death rate naturally tends to increase a nation's population. In this country, as in most of the civilized countries, there has been a gradual but significant decline in the trend of the death rate during the past 100 years. Better sanitation, medical

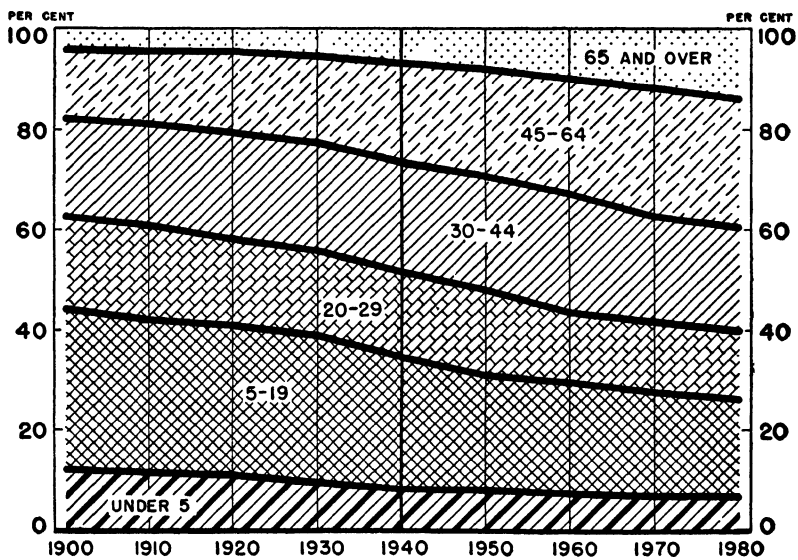

FIG. 2. *Trend in U. S. Population by Age.* (*Based on census data and Table 1.*)

discoveries, public health measures, and improved living conditions have resulted in a marked decrease in the number of deaths caused by epidemic germ diseases and individual physical ailments. This has been partially offset by deaths due to automobile and airplane accidents.

A child born soon after the Revolutionary War had an average life expectancy of 35 years; a male born in 1950 in this country might reasonably expect to live 64 years and a female more than 68 years. Most of this increase in life expectancy has been brought about by the saving of lives of newborn babies and of infants. In

the 18th century fewer than half the babies lived to be six years of age. At the beginning of the 20th century, 10 out of every 100 infants born alive each year died during their first year; currently fewer than 4 out of 100 babies born alive in this country fail to survive their first year.[21]

The fact that the decline in the death rate has been chiefly a result of a decrease in infant mortality rather than of a prolongation in the span of life (that is, the extreme age to which people are likely to live) would seem to indicate that the diminishing reduction in the death rate cannot continue indefinitely. In fact, there has been no marked change in the overall death rate in this country during the past twenty years. The civilian death rate of about 12 per 1000 in the early twenties has gradually declined to about 10.5 per 1000.

Far offsetting any influence of the declining death rate on an increase in our country's population has been the drastic long-time downward trend in the birth rate. The slowing down in this country, although it began somewhat later, has followed the trend which has been present throughout most of the western world since the middle of the 19th century, and is largely a result of voluntary birth control.[22] During the hundred year period 1820–1920, fertility (ratio of children to women) in this country declined by more than 50 percent. Between 1920 and 1940 the birth rate declined 33 percent. The birth rate, contrary to forecasts, rose during World War II and postwar years. There were 20 percent more babies born during 1946–1947 than in any previous two-year pe-

[21] In 5 countries the prewar death rates of infants were lower than in this country—Netherlands, Denmark, Sweden, New Zealand, and Australia. The life expectancy is the number of years that persons at a given age can, on the average, expect to live. It is arrived at by dividing the sum of all the years lived by persons born during a certain period by the number born during that period. Early data are for European countries, since no death rate records were kept in this country prior to 1918.

[22] It is pertinent to note that deliberate control of population is not confined to modern society. Comments one authority: "The adjustment of his numbers to his environment so that he could live as seemed good to him has always been one of man's major problems . . . even the so-called primitive peoples have frequently developed population policies which have aimed at controlling their growth in numbers." Among these, he lists infanticide and abortion, sexual taboos such as segregation of women for frequent and long periods of time, prohibition of remarriage of widows, and killing of aged people. (Thompson, *Population Problems*, chap. 1.)

riod. It can be assumed that this recent increase in the birth rate was a temporary phenomenon and an aftermath of the increased postwar marriage rate.[23] It seems unlikely that the cause underlying the long-continued decline in the birth rate, namely, the tendency toward smaller families, will undergo any marked change. Within the span of a generation the proportion of families with no child, or with one or two, more than doubled, while those with five or more children declined almost as much.[24]

TABLE 1. Forecast of Population by Color, Nativity, Sex, and Median Age, 1950–1975[25]

Year	Total in Thousands	Percent Distribution					Males per 100 Females	Median Age All Classes
		All Classes	White			Non-white		
			Total	Native	Foreign Born			
1950	150,200	100.0	89.4	82.7	6.7	10.6	99.3	30.1
1955	155,126	100.0	89.3	83.1	6.2	10.7	99.2	31.0
1960	162,011	100.0	89.0	83.3	5.7	11.0	99.2	31.7
1965	169,270	100.0	88.7	83.4	5.4	11.3	99.3	32.0
1970	177,118	100.0	88.4	83.4	5.0	11.6	99.7	32.1
1975	185,071	100.0	88.1	83.4	4.7	11.9	100.1	32.5

Future Trend

Until World War I the population of this country grew fairly rapidly, with increases from 20 to 35 percent every decade. During that war and the following years the rate of increase dropped to around 15 percent, and between 1930 and 1940 the rise was

[23] The marriage rate increased from 91 (per 1000 women 19 to 29 years of age) in the year 1929, to 114 in 1942. It fell to prewar levels in 1944 but rose to 104 in 1945 upon the return of men from military service (based on census data).

[24] Figures relate to the distribution of ever married native white women in 1910 and 1940 by the number of children ever borne to them up to the age of 50 (Bureau of the Census: *Differential Fertility, 1940 and 1910—Women by Number of Children Ever Born,* Government Printing Office, Washington, 1945).

[25] Forecasts based on assumption of high fertility and net immigration of 150,000 per year, that is, an average annual rate of growth of 1 percent which is about midway between the 0.7 percent rate between 1930–1940 and 1.3 percent rate between 1940–1947 (Bureau of the Census: *Forecasts of the Population of the U. S. 1945–1975,* Series P-25 No. 18 and No. 27).

only about 7 percent. In spite of the excess mortality of 200,000 resulting from World War II, the 1950 population is at least 7 million more than had been anticipated on the basis of prewar trends. The reason for the unexpected increase in population, as already indicated, was the increased birth rate during the years immediately after the war, which resulted in an average annual rate of population growth of 1.3 percent in contrast to 0.7 percent during the depression thirties.

However, the outlook is for a resumption of the long-time decline in the rate of growth, and one of the effects of this slowing down is a change in the proportion of young people to old. The proportion of persons over 65 years of age will more than double in the near future, and this means an increase in the number of people who have retired from active work and are living on their own savings, old age pensions, or public and private assistance. The number of persons reaching the age of 18, the normal age for entering the labor force, will also increase steadily during the next decade and sharply rise during the 1960's as a result of the high postwar birth rate. In 1964, for instance, 3¼ million young persons will reach their 18th birthday in contrast to only 2 million in 1951. The increase of several millions of persons between the ages of 18 and 45 which is now taking place is increasing the labor supply of persons at an age when they are most productive and energetic.

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CHAPTER 2

THE LABOR FORCE AND EMPLOYMENT

ALL MEMBERS OF A POPULATION ARE CONSUMERS OF ECONOMIC goods and services, but only about 42 percent of the residents of this country are active or potentially active in occupations which are considered as "gainful" employment. About 30 percent of the population are too young to work or are attending schools and colleges preparatory to employment. At least 6 percent are retired or physically, mentally, or otherwise disqualified for productive work; over a million of these are temporary or permanent inmates of institutions.

Approximately 22 percent of the population are housewives who are not working for wages and are therefore not included in the labor force. Invaluable as their services are to the national and family well-being, they are not classified as economic producers. They do, however, perform a major function in the economy of any community because they are the purchasers of a large proportion of all consumers' goods and thus influence the kinds and quantities of such goods which are produced.

The labor force, as defined by the census, includes all persons who have jobs or who are actively seeking jobs, thus including the unemployed who are actively seeking work as well as those who are actually employed. Employment is defined as work in an occupation in which money or the equivalent of money is earned, or which results in the production of marketable goods or services. Unpaid family work which is not directed toward producing something for sale, or involved in the selling process itself, is excluded. However, members of a family—for instance, on a farm or in a family grocery store—who perform work which otherwise would require hired labor are included in the definition of labor force.[1]

[1] In the censuses previous to 1940 the terms "gainful workers" and "gainfully occupied" were used instead of "labor force." Although the change in

TRENDS IN THE LABOR FORCE

The proportion of the population within the labor force is not static. For various reasons, gradual shifts and changes take place over a period of years, and abnormal conditions sometimes arise which cause sudden and temporary expansions or retractions in the number of persons working for wages and salaries. During the past half century there have been significant changes in the size of the labor force in relation to the total population, as well as in its general composition. Some of these changes are the result of legislative action, some of economic developments, and others of changes in social attitudes and customs.

Youth in the Labor Force

State and federal laws have been enacted which prohibit or restrict children under certain ages from entering gainful employment. At the same time, educational facilities have been expanded and young people have been encouraged to continue in school longer than their parents and grandparents were privileged to do. The movement toward increased school attendance was especially noticeable during the period between the two World Wars. In 1920 only 32 percent of the young people in this country between 14 and 17 years of age, inclusive, were enrolled in secondary schools, compared to 82 percent in 1949, although school attendance declined considerably during the intervening war years when young people entered the war industries. School and college attendance beyond the age of 17 has also increased; for men between the ages

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definition does not seriously affect the comparability of the recent data with those of earlier censuses because of several offsetting factors, there are some major differences. The 1940 census, which was taken the last week in March, 1940, excludes seasonal workers not working or seeking work at the time of the census; unlike earlier censuses it includes new workers such as those who had just left school and had had no previous work experience. The 1940 census excludes all retired persons, some of whom were previously included, and also all inmates of institutions; previously those who performed regular work in institutions were included. Current data on "labor force" follow the 1940 definition.

As with all technical classifications, the lines of distinction between those in and those not in the labor force become vague, if not anomalous, in certain situations. For example, if a widower employs a housekeeper to maintain his household, she is a member of the labor force; if he marries her, she is no longer a member of the labor force!

of 20 and 24 attendance doubled during the years 1945–1949 as a result of the "G.I. Bill of Rights." All of these students, however, are not entirely removed from the labor force. In 1948, when jobs were plentiful, at least a fifth of the students over 14 years of age had some paid employment during the school term although most were employed part-time. A considerably larger proportion are

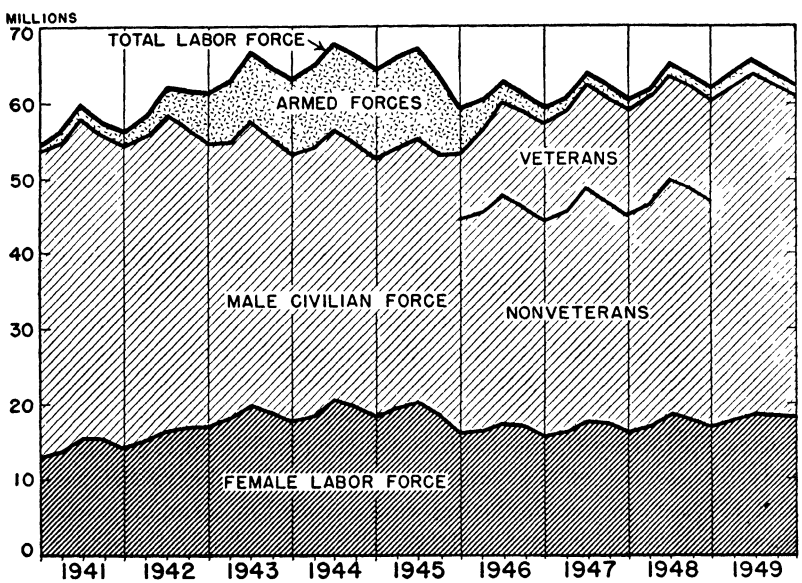

FIG. 3. *Total Labor Force, 1941–1949.* (*Source: Bureau of the Census.*)

employed during the summer months and thus expand the labor force for seasonal activities such as agriculture and services connected with summer resorts.

The long-term shift in the age of persons in the labor force is indicated by the fact that at the turn of the century more than 30 percent of the children 14 and 15 years of age were gainfully employed, while today fewer than 6 percent of that age are in the labor force and, as indicated above, an increasing proportion of young people are remaining in school up to the age of 19 and beyond.

Old People in the Labor Force

At the other end of the life span, the old age insurance provided by the social security laws will make it possible for more people to withdraw from the labor market who otherwise would have to continue to work until total disability or death. However, the availability of job opportunities has much more influence upon the number of older workers in the labor force than their meager incomes from old age assistance or insurance. Discrimination against older people when jobs are scarce causes them to retire permanently from the labor market. When jobs are plentiful, as they were during the recent world war, more than a third of the persons 65 years of age and over were in the labor force, in contrast to 23 percent in 1940. But the long-term trend with older persons, as with youth, is undoubtedly downward.

Women in the Labor Force

The postponement in the intake of young persons and the accelerated withdrawals of the old both tend to reduce the size of the labor force. While this is taking place there is another trend which causes expansion, namely, the movement of more women into the labor market. At the turn of the century only 17 percent of the women 25 to 64 years of age were gainfully employed. In 1949 approximately 34 percent of the women in that age group were attached to the labor force and another 3 percent had actually worked "for pay or profit" during the preceding year although they did not consider themselves in the permanent labor force. Approximately 22.5 percent of all married women living with their husbands were in the labor force in 1949, as contrasted to less than 15 percent ten years previously.

The tendency toward an increase in the proportion of women who have entered gainful employment during the past fifty years has been due chiefly to industrial and economic developments, although social attitudes have played a part. Industry has gradually taken over much of the preparation of foods, the making of clothes, laundering, and other services formerly performed in the home, and women have followed these activities and thus become wage earners. Although their work is much more specialized, considered as a whole the commodities and services produced by these

women in factories, laundries, etc., are not essentially different from those produced by their grandmothers at home. Because of industrialization, the results of their labor have become commercial goods and services, and many wives and daughters who previously were engaged in unpaid family work are now members of the labor force.

However, the transfer of activities from the home to the factory does not entirely account for the increase in the proportion of women wage earners. Changes in manufacturing processes and methods of doing business have resulted in the increased employment of women in industries and occupations altogether remote from the activities formerly carried on in the home. The invention of automatic and semiautomatic machines which require a minimum of physical strain and time to learn to operate has resulted in the employment of women in industries which formerly employed only men. The increase in "paper work" in industry and the use of the telephone have caused the employment of thousands of clerks, stenographers, and telephone operators. The expansion of merchandising, especially department and apparel stores, has resulted in an increase in the employment of women. Much of this expansion in merchandising, in turn, is an indirect result of the transfer of former home activities to mills and factories, for clothing and other goods made in factories must be sold through stores.

Elasticity of the Labor Force

There are not only long-time, more or less permanent changes in the size and composition of the labor force, but also sudden temporary shifts in response to unusual conditions or seasonal demands for additional labor. Seasonal peaks of employment may indicate that a portion of the normal labor force is unemployed during the slack seasons. Some of the seasonal expansion, however, is effected through the employment of persons outside the normal labor force, such as students who work during the summer months and women who do not seek regular jobs.

Strange as it may seem, subnormal economic conditions may be the cause of an expansion in the labor force. During a serious business depression when the chief wage earners of families are thrown out of employment or have only two or three days' work a week, the wives or others in the household who normally do not work for

wages will obtain or seek jobs. Thus, while there is a drastic decline in the available man-days of work, there may be an actual increase in the number of persons in the labor market. This, obviously, is an artificial expansion and is one of the factors which creates confusion in the taking of an unemployment census.

The elasticity of the labor force is dramatically revealed during periods of extraordinary demands for additional labor, such as

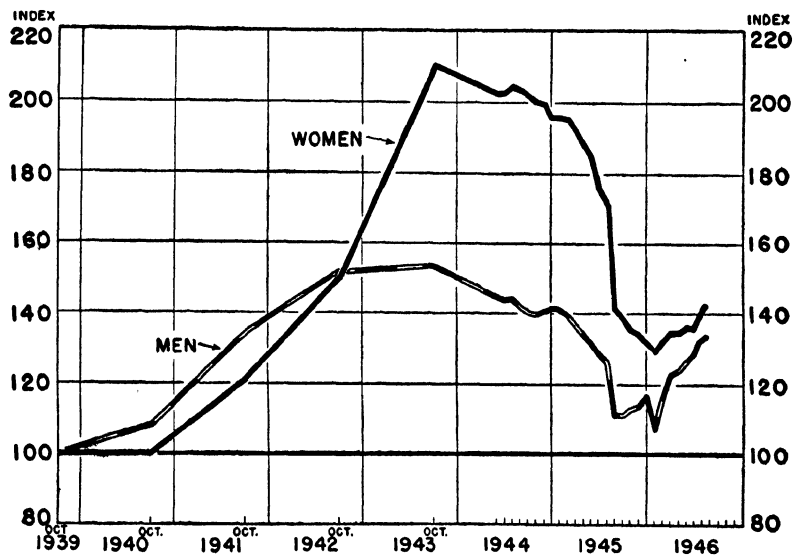

FIG. 4. *Manufacturing Wage Earners During World War II.* (*Source*: *U. S. Bureau of Labor Statistics.*)

wartime. During World War II the peak labor force, including those in military service, exceeded by almost 7½ million persons the normal increase which would have taken place had peacetime trends continued. Where did these millions come from? Almost 3 million of these extra workers were teen-age boys and girls, two-thirds of them under 18 years of age, who accepted jobs outside of school hours or left school to take civilian jobs or enter the armed forces. About 2 million adult men were employed who in peacetime are not usually at work. Some of them would have been in college; some were past retirement age; others came from the "fringes" of

the labor market, that is, because of physical or other reasons they were on the borderline of employability. More than 2½ million women entered the labor market who would not normally have accepted industrial employment. Many of these women were young wives of servicemen, but the majority were women over 35 years of age who had previously stayed at home. For most of these women, employment in war industries represented responsibilities in addition to their normal household duties, and when the war was over they dropped out of the labor market. By April, 1946, almost 1⅓ million women had left factory employment, and the proportion of total factory workers who were women was almost the same as before the war.

TABLE 2. Prewar, War, and Postwar Labor Force[2]

	1940 Average	June 1945	1949 Average
Total labor force	56,030,000	65,370,000	63,571,000
Civilian labor force	55,640,000	53,070,000	62,105,000
Armed forces	390,000	12,300,000	1,466,000
Employed	47,520,000	51,990,000	58,710,000
Unemployed	8,120,000	1,080,000	3,395,000
Agricultural employment	9,540,000	9,090,000	8,026,000
Nonagricultural employment	37,980,000	42,900,000	50,684,000
Male civilian employment	36,020,000	33,770,000	41,660,000
Female civilian employment	11,500,000	18,220,000	17,050,000

The change which took place in the labor force during the war period is indicated in Table 2, which shows that the total civilian labor force actually declined during the war by more than a million persons. However, more than 6 million people who were unemployed or on emergency relief work in 1940 obtained employment during the following years, and they were equivalent to one-half the increase in the armed forces.

Although the total labor force took a sharp drop after the end of the war, it included 7½ million more persons in 1949 than before the war. This represents more than the previous normal

[2] Bureau of the Census.

increase, which was about 600,000 persons a year, as a result of the growth of the population of working age. The recent increase in the proportion of the labor force to population is due almost entirely to the increased participation of women, and is confined very largely to teen-age girls and women over 35; in other words, women who are less likely to be burdened with heavy family responsibilities. It would appear, therefore, that the present ratio of 58 percent of the population 14 years of age and over represents a new "normal" proportion in the labor force.

DISTRIBUTION OF THE LABOR FORCE

Thus far we have been concerned with the total aspects of the labor market, but as a basis for a study of the manifold problems of labor economics it is necessary to know how the labor force is distributed throughout the national economy (see Fig. 5). Technological, commercial, and social changes, which are constantly occurring, increase the need for workers in some occupations and reduce the demand in others; they cause new occupations to develop and old ones to disappear. These changes, so far as their impact upon the total labor force is felt, usually occur gradually and are revealed in long-time trend shifts in occupations. Occasionally, as a result of a spectacular new invention, or a major change in government policy which affects domestic or foreign trade, there will be rather sudden shifts in particular fields of employment which, after taking place, continue for a prolonged time. There are other shifts which are temporary deviations and may not materially affect long-term trends, for example, those in response to the demands for war production.

Table 3 shows the distribution of the labor force by major occupational groupings in 1940 and in 1949, both years of relatively normal business activity. During this eight-year period there was a reduction in the proportion of the labor force attached to agriculture and in laborer and domestic service occupations. There were significant increases in the proportion of proprietors and managers, clerical workers, craftsmen, factory and other operatives. Some of these shifts resulted from short-term factors incident to postwar conditions. The increase in proprietors and managers, for instance, was largely due to the establishment of large

numbers of new small businesses by veterans who received financial aid from the government. Some of the increase in craftsmen was a result of the postwar expansion in building programs. The increase in clerical workers and the decrease in domestic service and in farm and other kinds of laborers indicated a continuation of long-term trends, the latter being directly due to increased mechanization.

TABLE 3. Occupational Distribution of the Experienced Labor Force, 1940 and 1949[3]

	March, 1940		April, 1949	
	Both Sexes	Women	Both Sexes	Women
All experienced workers	100%	100%	100%	100%
Professional and semiprofessional	7	13	7	9
Proprietors, managers, and officials, except farm	8	4	11	5
Clerical and kindred workers	10	21	13	27
Salesmen and saleswomen	6	7	6	8
Craftsmen, foremen, and kindred workers	12	1	14	1
Operatives (factory, mine) and kindred workers	19	19	21	21
Domestic service workers	5	18	3	10
Service workers, except domestic	7	12	7	12
Laborers, except farm and mine	9	1	6	1
Farmers and farm managers	10	1	8	1
Farm laborers and foremen	7	3	4	5

MAJOR TYPES OF EMPLOYMENT

The term "labor force" carries with it the connotation of labor in the abstract, a lump sum of labor which can be measured somewhat as energy is measured in thermal or horsepower units. Labor, however, is the work of human beings, and the employment of human beings cannot be dissociated from the persons who perform the labor. Likewise, that portion of the labor force which is unemployed represents human beings, most of them being people who

[3] Bureau of the Census, *Series P-50,* No. 13. Experienced labor force includes all employed persons and those unemployed persons who, in the past, had had a job lasting two consecutive weeks or more. For the employed, the figures relate to current job; for the unemployed, to last full-time job.

are deprived of the opportunity of working for wages in spite of their own needs and desires.

The size of the labor force and the proportion of it which is employed and unemployed at any time are important criteria of a

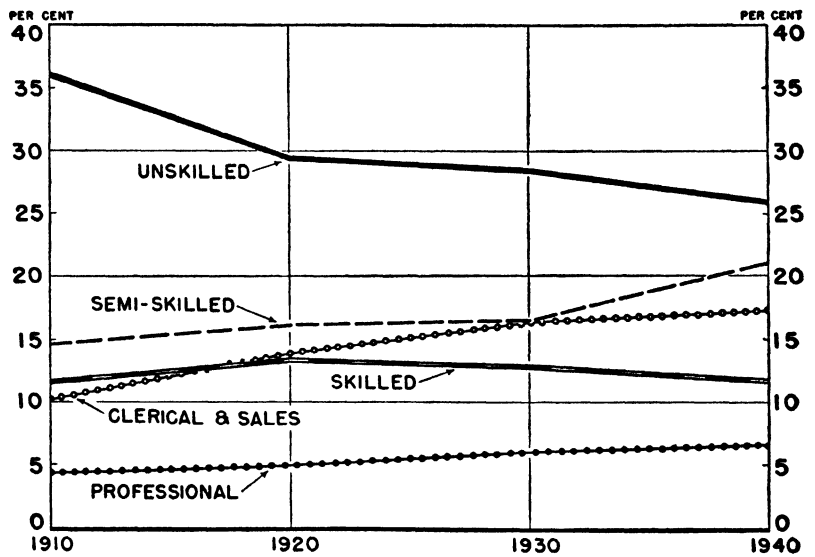

FIG. 5. *Trends in Major Types of Employment, 1910–1940. (Based on census data.)*

country's economic development and potential productive capacity. But they signify much more than statistical measurements because of the fundamental fact that it is people who are employed and unemployed and not units of energy or matter. Therein lies the difference between physical science and social science, of which labor economics is an important branch. The unemployed portion of the labor force will be discussed in Chapter 5. The present chapter and the following deal with those who are employed, the various characteristics of some of the major occupations, and the results of work efforts in terms of output or productivity.

Variety of Occupations

It is almost impossible to visualize the multitudes of different kinds of work which exist in a modern industrial society, although

all of us, every day of our lives, receive the benefits of numerous types of work activities. The building and furnishing of the houses we live in, the planting, harvesting, transportation, and preparation of the food we eat, the streets we walk on and the vehicles we ride in, the clothes we wear, the books we read, and the amusements we enjoy are products of thousands of different persons' skill and labor.

The *Directory of Occupational Titles*[4] defines 17,500 separate jobs which are also known by over 12,000 other names. The census lists 221 distinct occupations but includes in its industry subdivisions an additional 230 titles—for example, a farm laborer and a building-trades laborer whose work is obviously different. Other classifications used by the government, which are based primarily on the types of products manufactured or otherwise produced, and the various kinds of services rendered, include 1530 industry subdivisions.[5] The census classifications indicate the general classes of work in which the various members of the labor force are engaged, and cover broader categories than do the occupational titles defined in the *Directory*. The latter is concerned with detailed job descriptions and minute differences in job performance.

So far as the individual worker is concerned, the particular occupation in which he is employed determines not only the kind of activity in which he is engaged during his workday but also, to a large extent, the manner of life he and his family enjoy or endure. The amount and regularity of his income, his exposure to physical hazards and nervous fatigue, his place of residence and his ability to maintain prolonged residence in a particular community, his social acquaintances and cultural opportunities are all affected by his type of employment. A migrant agricultural worker and his family live an entirely different kind of life from a factory worker and his family; a sailor on the high seas lives and works under entirely different conditions from a miner in the bowels of the earth.

Although there are basic economic problems which are common to all wage earners, conditions of employment vary greatly among the different occupations and industries. Some of these are indi-

[4] Prepared by the U. S. Employment Service, 1949.

[5] *Standard Industrial Classification Manual*, Division of Statistical Standards, Bureau of the Budget, Government Printing Office, Washington.

cated in the following brief descriptions of the more important types of employment.

AGRICULTURAL LABOR

The two major classifications of activities which are universally used are agricultural and nonagricultural employment. There are, of course, other reasons for maintaining these two distinct categories in practically all economic analyses than the differences in employment conditions, but the latter is our concern in the present discussion.

One of the outstanding differences between farm and industrial employment is the much greater dispersement of farm workers throughout all regions and most of the counties in this country. A second is the extreme seasonality of the work and the consequent mobility of labor from one area to another, and from agricultural to other types of employment and back again with the change of seasons. Another difference is the predominance on farms of what are called family workers as distinguished from hired workers, and closely allied to this is the greater prevalence, as compared to industry, of direct owner operation.

All these factors have contributed toward the treatment of farm laborers as a special category of workers who are excluded from many of the legal protections and benefits enjoyed by other workers. Agricultural workers are not at present covered by federal social security and minimum wage and hour laws, and most of them are excluded from state workmen's compensation laws.

Aside from the farm owners and their families, with whom this volume is not concerned, there are three general types[6] of agricultural labor, namely, the hired "hands" who are employed on a year-round or fairly regular basis; the sharecropper tenants who receive no fixed money wage; and the migratory or casual workers who are employed for only a few days or weeks at a time for the planting or harvesting of particular crops.

[6] The census classifies tenants of all types, including sharecroppers, as self-employed and family workers. Because of their direct dependence upon their landlords, sharecroppers are here treated as employed labor. In 1948 the census reported an average annual employment in agriculture of approximately 8 million, of whom 4¾ million were self-employed, 1½ million were family workers, and slightly more than 1⅔ million were wage or salary workers.

Regular Hired Laborers

Almost 70 percent of the 625,000 laborers who are hired on a year-round or fairly regular basis, work on farms employing no more than 3 hired workers. Many of them live in the homes or on the premises of the farm owners; they are helpers or assistants and their relationship with their employers is quite unlike that of other farm and most industrial workers. The same situation does not obtain for the 200,000 laborers who work on large farms which employ numbers of persons who are under the supervision of farm managers and foremen. Most of these large farms which employ numerous laborers on a more or less regular basis are in the Range and the Delta cotton areas, and in Florida and California. Of the more than 6 million farms in the country, fewer than 50,000 are operated by paid managers, although a considerably greater number are operated by tenants on either a cash rental or a share basis.

Sharecroppers

Currently there are about one-half million sharecropper families living and working on southern cotton and sugar plantations; about two-thirds are white and one-third are Negroes. The distinguishing feature of sharecropping is that money wages are not paid for work performed. The sharecropper supplies all the labor in the production and harvesting of crops and receives a portion, usually one-half, of the product of the 15 or 20 acres assigned him. The owner of the plantation supplies the equipment, the stock and their feed, and the seed for planting. Such costs as fertilizer and the ginning and bagging of the cotton are usually shared. Certain perquisites such as a cabin in which to live, and sometimes a garden plot and fuel from the plantation wood lot, are furnished by the owner. Sharecroppers customarily depend upon credit advances from their landlords for their share of crop expenses, and usually for a large part of their living expenses between harvest seasons. Many of them are perpetually in debt to their landlords, with local police authorities making it virtually impossible for sharecropper debtors to move or change their place of employment so long as their landlords want them to stay.

The cash income of sharecroppers is subject to a greater num-

ber of variable factors than that of most wage earners. Unlike the latter, whose wages are based on the number of hours worked or units produced, the income of sharecroppers is contingent upon the amount of cotton actually sold as well as the market price. Some years the sharecroppers earn more than they would if paid by the day; other years much less. Offsetting the great uncertainty and small amount of cash income received, the sharecropper has housing and subsistence, poor as they usually are.

From the point of view of labor utilization, the sharecropping system is not an efficient method of getting work done, for each plantation must maintain throughout the year a sufficient number of sharecropper families to take care of peak needs. As a result, sharecroppers are underemployed much of the time and this idle time is extended as one machine after another is invented to displace hand processes. Years ago machines were introduced which transformed cotton planting and ginning; the recent mechanization of chopping and cotton picking practically eliminates the early summer and fall peak seasons. The number of sharecroppers is already less than a decade ago and is continuing to decline with the expanding mechanization of cotton production.

Migratory Farm Laborers

In addition to the regularly hired and tenant laborers attached to particular farms, there are the hundreds of thousands of migratory farm workers who follow the crops and seasons. Before the introduction, in the 1920's, of the combine harvester which enables five men to do the work of 350, several hundred thousand men were annually on the move from wheat fields in Texas in early June to fields in North Dakota in late August, following the ripening wheat crop. During the past two decades migratory labor in the wheat fields has practically disappeared, for with the arrival of the self-propelled harvester-thresher in the 1930's the full cycle of mechanization from seeding through harvest has been completed.

The wheat harvest hands, popularly referred to as "hoboes," were men who traveled in freight trains. Present-day migratory workers are predominantly families who travel in automobiles, and the kinds of crops for which they are used makes it possible to utilize the women and children as well as the men.

Annual fluctuations in the volume of migratory labor are ex-

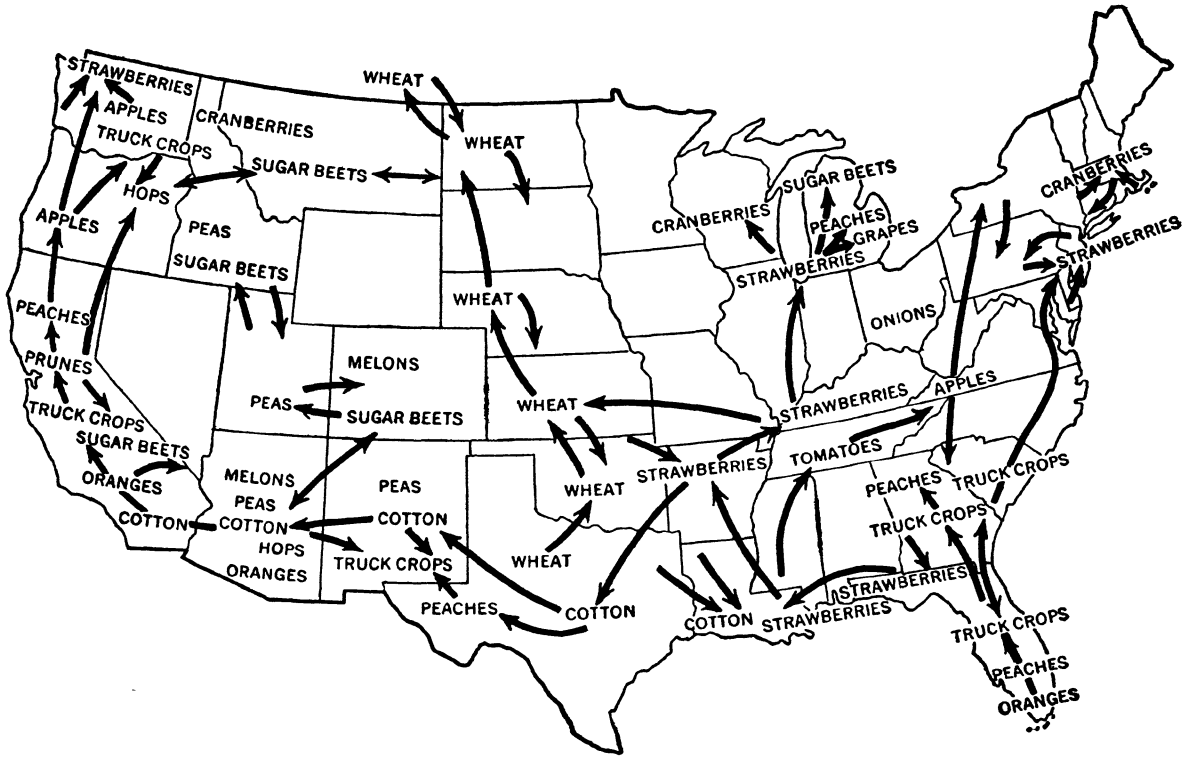

FIG. 6. *Flow of Seasonal Migratory Farm Labor. (From Pictorial Statistics, Inc.)*

treme, depending upon both crop conditions and general business conditions. The number of migrants may increase, not because additional migratory labor is needed, but because workers have been displaced from their regular jobs in the factories or on farms and "take to the road." Sharecroppers no longer needed, drought-ridden farm owners or tenants, and unemployed city workers may join the ranks of the migrants in lieu of any better way of making a living. To these are added the thousands of Mexicans who cross the border, legally and illegally, each year.[7]

So long as considerable hand work is required for the planting and harvesting of crops, the labor of migratory workers is essential to the production of our food. In the eastern part of the country, seasonal labor is needed in the apple orchards of the Shenandoah valley and upper New York, on the citrus fruit farms in Florida, and in the grape and orchard areas around Lake Erie. Many thousands of workers follow the strawberry harvest from Florida to Michigan; others move each year from surrounding areas to pick the strawberries grown in Arkansas. Harvesting of tomatoes begins in the Southeast in March, and reaches a peak in May and June in Mississippi and Texas and as late as July in Tennessee.

Although mechanization is becoming more general, tens of thousands of migratory workers are still used in Oklahoma and Texas for chopping and picking cotton. Many of them follow the season from the Gulf northward into the Texas Panhandle and Oklahoma, a distance of almost 1000 miles. Unlike many other migratory workers who keep on the move as crops need harvesting, sugar-

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[7] Mexican workers who enter legally are brought in temporarily under a contract between the Mexican and U. S. governments. The contract, which regulates wages and working conditions, does not provide adequate enforcement machinery and stipulates that Mexican nationals shall not join any American trade union or be represented by any outside agency other than the government for redress of grievances.

The illegal entry of Mexicans represents the most serious menace to agricultural labor standards. In 1950 it was estimated that more than 20,000 Mexicans each month illegally crossed the border into California and Texas. These "wetbacks," so dubbed for their technique of swimming rivers at border points, are able to obtain jobs because of their willingness to accept low wages even though there may be thousands of resident laborers who are unemployed. Many of these illegal entrants return home after a few months but considerable numbers remain indefinitely.

beet workers move only twice a year—to the beet fields in the spring, where they remain to cultivate and harvest the crop, usually on a contract basis, and back to their winter quarters in the fall. In former years, many of the sugar-beet workers came from great distances, some from as far as central Mexico; more recently the industry has endeavored to use workers from surrounding areas and thus reduce the necessity for long migrations.

The greatest seasonal migrations of farm labor in the entire country take place on the Pacific coast, especially California, where migrants move in great surges, shifting from ranch to ranch to finish each crop. Seeking to dovetail brief seasons of employment, they move from the Imperial valley on the Mexican border northward to the San Joaquin and Sacramento valleys, with some going as far north as the Hood River valley in Oregon and Yakima valley in Washington.

Migratory families labor and live under some peculiar hardships. They necessarily spend a considerable part of their time in moving from job to job and thus, even when employment is plentiful, they are seldom able to work more than half the time. Most of them are compelled to live in huts or tents and their nomad existence makes it impossible for the children to attend school regularly or for the adults to participate in normal community life. Like other agricultural workers they are not protected by social security legislation and, because of their frequent moves, many of them have no legal residence which would entitle them to community relief when in need.[8]

Trend in Agricultural Employment

There are two outstanding characteristics of American agricultural employment: the steady decline in the number of persons en-

[8] One student of the migratory labor situation has summed up the problem thus: "Migratory farm labor is a focus of poverty, bad health, and evil housing conditions. Its availability in large numbers at low wages aids large-scale agriculture in its competition with the family farm. Migratory laborers are victims of all the prejudices of settled folk against outlanders and nomads, without the advantages of an organized group life of their own. They are discriminated against by arbitrary and illegal blockades. They cannot participate in democracy. The education of their children is seriously impaired if not completely neglected. Race prejudices are heightened and labor conflicts intensified. Migrants and public welfare suffer alike." (Paul Taylor, "Migratory Farm Labor in the U. S.," *Monthly Labor Review,* March, 1937, p. 548.)

gaged in agricultural pursuits and the geographical shifts in agricultural employment. These changes are the result both of mechanization and of the relative volume of production of various farm commodities. Since 1910 there has been a steady decline in the number employed throughout the country as a whole, while at the same time the volume of agricultural production has increased. It is estimated that the volume of production per worker has doubled during the last 40 years, that it increased 50 percent during the one decade 1940–1950.

The decline in total agricultural employment has not been evenly distributed throughout the country. For many years there has been a steady decrease in agricultural employment in the New England and Middle Atlantic states, and more recently a decline in the South Central regions. On the other hand, agricultural employment is increasing on the Pacific coast; since 1940 the increase has amounted to more than 25 percent.

COAL MINING

For the past 200 years coal has been an indispensable source of energy, and without it our modern industrial system would never have developed. Coal made possible the industrial use of steam power because it provided a cheap and convenient fuel; coal is also a necessary ingredient in the production of iron and steel and thereby made possible steel machinery, railroad equipment, and many other products produced and used by modern industry. The struggle for coal resources has been an underlying cause of many international disputes, and in time of war coal is necessary for national survival.

The United States is fortunate in having a generous supply of coal resources within her borders; bituminous coal is mined in 32 states, and one state, Pennsylvania, also produces anthracite. Without this coal supply, this country probably would have remained a loose federation of rural communities, or perhaps several separate nations, for there would have been no railroads to connect the West and the East and no industrial development to encourage political unity.

Half of our nonhuman energy now comes from coal and an increasing proportion is being converted to electricity. In spite of

its paramount importance to our national life, the coal industry has suffered some loss during recent decades because of the competition of petroleum. Currently, petroleum is furnishing more than a third of all the energy used in this country. With the recent construction of mammoth dams, the use of water power is also increasing.[9] And there is now some expectation that the future may witness the substitution of atomic energy for much of these present sources of power.

Mining Employment

During the twenty years before the outbreak of World War II, employment in coal mining was reduced by one-half, and miners worked, on the average, not more than 180 days per year. In the early 1920's over 9300 bituminous coal mines were in operation; in 1940 only 5700 mines were operating and there was common agreement among employers, workers, and the government that the industry was overdeveloped. The situation was reversed during the war period when the problem became one of mining a sufficient amount of coal to keep the war plants in operation; more than a thousand new mines were opened or old ones reopened. Tonnage increased almost 50 percent over prewar levels, but there was little change in the number of miners employed. However, there was a considerable increase in the number of hours per day and days per year each man worked.

Employment in coal mines, barring another war, is expected to decline in the immediate future as the result both of the increased competition from other forms of energy—hydroelectric power, natural gas, and petroleum—and the increased mechanization in mine operations. The latter has been greatly accelerated by the introduction, in 1949, of newly invented continuous mining machines which are designed to produce from two to five tons of coal per minute.

Of the 400,000 currently employed coal miners, about 75,000 are employed in anthracite mining and about 325,000 in bitumi-

[9] In 1949 the proportion of total energy supplied was:

Anthracite	5	percent
Bituminous coal	43	"
Petroleum	34	"
Natural gas	14	"
Water power	4	"

nous coal mines. Anthracite mining is highly concentrated, almost all the mines being located in ten counties in Pennsylvania. Most of these mines are owned, or at least largely controlled, by the railroad companies which carry the coal to the consuming centers. Anthracite is largely used for household fuel, less than one-fifth of the production being used for industrial purposes.

Unlike the situation in anthracite mining, the location and ownership of bituminous coal mines are widely scattered and 80 percent of the production is used for industrial purposes—to run railroads, factories, and public utilities and to make steel. Although bituminous coal is mined in 32 states, 90 percent of the miners are employed in 9 states. More than 25 percent are employed in Pennsylvania bituminous mines and almost an equal number in West Virginia. Southern coal mines have expanded during recent years and at present almost 10 percent of all the miners are employed in the two states of Tennessee and Alabama, and another 13 percent in Kentucky. Mining in Virginia is also expanding, whereas coal production in the central states (Ohio, Indiana, and Illinois) as well as in the western and southwestern states is declining or at least not increasing.

Employment Conditions

Coal is found in more or less horizontal seams at different depths of the earth's surface. When close to the surface, it can be dug out by hand or steam shovel. This type of mining, called strip or surface mining, lends itself to mechanization with power loading machines following directly behind the stripping shovels. Surface mining has increased during recent years, although only about 20 percent of all the bituminous coal is strip mined at the present time. Most coal lies deep underneath the earth's surface and requires the sinking of shafts with entrances which may be several miles from the working faces.[10] Underground mining is becoming more and more mechanized. Electric cutters and power drills have

[10] The distance between the mine entrance and the place of work is indicated in a report of a committee appointed by the President in 1944 during a coal dispute over the issue of portal-to-portal pay. The committee found that underground miners, on the average, spend approximately one hour traveling from the entrance of the mine to the place of operations and back again. The time varied greatly, however, some mines which were close to the surface requiring only five minutes and others requiring over three hours' daily travel time.

largely replaced the pick; mechanized loaders are taking the place of the shovel; motor-driven cars or conveyers have been substituted for the mule.[11] More than 90 percent of the coal now being mined underground is cut by machine and 60 percent is mechanically loaded.

The underground work of coal mining is divided between two main groups of workers: the miners proper, or "tonnage men," who dig the coal at the workplace, and the "day men," who carry on the auxiliary tasks of hauling, ventilation, pumping, power supply, timbering, and maintenance. As in other types of employment, the use of machinery has brought factory methods into coal mining, for the whole productive process must be synchronized in order to obtain the maximum use of expensive machine installations. Work must be concentrated and the workplace must be mined out quickly to save the cost of timbering and at the same time prevent the falling of the roof. In mechanized mining there is no place for the single miner working in a room, perhaps with an assistant, isolated from the remaining force, setting his own pace and leaving the mine when his stint is finished, regardless of the time of day, as was the case in days gone by.

While power-driven machines have eased some of the physical labor connected with the mining of coal, and the workers through their unions have been able to obtain substantial improvements in their working and living conditions, the lot of the miners and their families continues to be one of the least desirable of any group of American workers. Except during wartime most miners are chronically underemployed.[12] Mining is predominantly an underground activity, with all the unpleasantness and risks to health which constant working in the bowels of the earth entails. It is a dirty and extremely hazardous occupation; hundreds of miners are killed and thousands seriously injured each year.

By necessity miners and their families are a segregated group with little opportunity to associate with people of other callings

[11] In the early days of mining in Europe women and children were sometimes used to haul coal to the surface.

[12] The average miner during normal years works less than 180 days a year. Because work is always less than full time, a prolonged strike in the industry can take place without interfering with the full annual output, although it delays delivery to customers. This, of course, is not true during wartime when an extraordinary output is required.

and background. The location of mines requires most of them to live in isolated rural areas, without the conveniences and amenities of urban living but with few of the compensations which agricultural families enjoy.[13] The situation of the women is especially unhappy, living, as many of them must, in drab homes covered with coal soot, having the grimy work clothes of their men to wash without running water, and having few if any recreational facilities for themselves or their children. For the miners' daughters there are scarcely any work opportunities close at hand and most of them are compelled to leave home in order to obtain employment.

CONSTRUCTION EMPLOYMENT

The largest single group of workers outside agriculture are employed in the building and construction industry. In normal years an average of 2½ million workers are employed at the site of construction projects during the building season and an additional 2 or 3 million are engaged in the manufacture and distribution of materials used in construction.

The amount of employment in construction is greatly affected by both general business conditions and government policy. Private construction, both industrial and residential, is one of the first industries to feel the effects of an impending business depression and one of the last to resume full employment upon business recovery. Neither business nor private householders are inclined to embark upon building projects if economic conditions are not promising and steady income is not assured; likewise, both will

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[13] Two of the worst grievances of miners have been or are being rectified, namely, the company doctor and the company town. Until very recently most miners' families were compelled to live in feudal company towns where houses, stores, and even the churches and schools were owned by the operators. The operators, with the help of the local sheriffs whom they appointed, were able to keep "unfriendly" outsiders, such as union organizers, from holding meetings in these towns or even entering the homes of the miners. As a result of adverse public opinion, as well as improvement of roads and use of automobiles which minimize the necessity for miners to live close to their workplaces, the company town is fast disappearing. Today about one-third of the miners live in company-owned houses, and employers are no longer legally permitted to restrict free speech and free assembly even though they own the buildings where persons assemble.

For the change with respect to medical service, see chap. 13.

carry on with existing facilities and housing until depression losses are recouped and business recovery is absolutely certain.

As indicated in Chapter 7, declines in private construction may be, and frequently are, offset by public construction programs. Within recent years it has been the policy of government, especially the federal government, to use public construction as a bal-

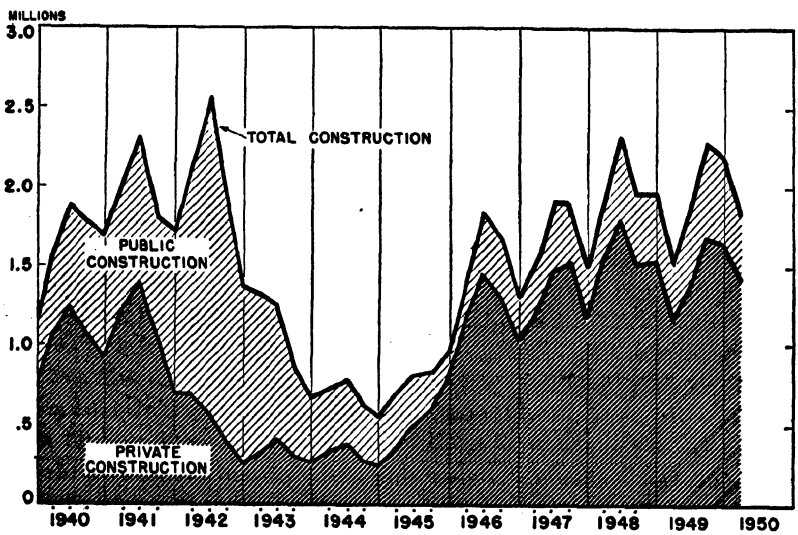

FIG. 7. *Number of Workers Employed at Site of Construction, 1940–1950.* (*Source: Bureau of Labor Statistics.*)

ance wheel to stabilize general employment. Construction is a particularly effective device for this purpose because new buildings and other kinds of construction projects utilize not only the building labor at the site but create employment in all the industries that furnish the materials, the equipment, and the furnishings for the buildings.

In addition to undergoing cyclical fluctuations, construction employment is highly seasonal and irregular. The rigors of cold weather discourage building in the winter, and rains frequently interrupt construction during the peak summer season. Irregularity is enhanced, so far as the individual worker is concerned, by the time lost because of frequent changes of jobs and employers.

Most building is done through numerous contractors and subcontractors on a competitive bidding basis and only a few contractors obtain a sufficiently steady flow of work to enable them to maintain regular crews. A large majority of the building-trades workers are hired for the duration of each contract, which may mean anywhere from a few days' to several months' employment.

The building trades comprise at least 26 distinct skilled occupations, several of which include helper categories, in addition to laborers, truck drivers, and miscellaneous workers. Not all construction projects require the services of all the trades, although at least a dozen different classes of workers are usually needed for building even a comparatively modest home. Carpenters are by far the most numerous group among the skilled trades (almost half the total skilled workers), for even in nonwood construction carpenters are used to build concrete forms and install interior woodwork and hardware. All the skilled trades require prolonged apprentice training and there is little interchange of jobs between classes of workers.

Handicraft methods still prevail in the building industry, although structural steel and concrete have brought in mechanical methods, especially for large building projects. More and more wooden and metal parts—windows, stairs, cupboards, bathroom units, etc.—are being prepared and fabricated in the mill, thus reducing the amount of labor at the site. During recent years there has been some experimentation in factories with mass production of prefabricated houses which are delivered in sections and set upon foundations at the site. General adoption of prefabricated methods would, of course, cause radical changes in the volume of labor and the skill required in the building trades.

RAILROAD EMPLOYMENT

Railroads continue to be the backbone of our transportation system, although carloadings and passenger mileage have declined more than half since World War I. In 1920 over 2 million persons were employed in the railroad industry; in 1940 slightly more than 1 million. The railroads were heavily burdened during the recent war period, but the maximum number of workers never reached 1½ million even though the freight ton-mileage was dou-

bled and the passenger mileage increased fourfold. Greater production per employee was largely due to more effective utilization of railroad track and equipment facilities, although postponed repair work and long working hours of those employed partially accounted for the relatively low employment in relation to the traffic handled during the war.

Although technological improvements have been the cause of considerable labor displacement, the major cause of the downward trend in railroad employment has been the decline in the business itself. The competition of motor trucks and buses, automobiles, and airplanes has considerably reduced railroad haulage. Also railroads are required to haul less coal, their largest single commodity, because of the development of hydroelectric power, the use of pipe lines for petroleum and natural gas, and the improved efficiency in the use of coal which reduces the amount needed by industry.

Railroad employment, like building employment, is predominantly on a craft basis, with sharp lines of distinction between each category of workers. There are between 25 and 30 major types of occupations ranging from laborers to highly skilled engineers. The various occupations are classified in a number of ways, the basic distinction being the operating versus the nonoperating personnel, or the train and engine service versus the maintenance of way, railroad shop crafts, and miscellaneous groups. The proportions of workers employed in the seven main categories are approximately as follows: train and engine service, 22 percent; maintenance of way, 20 percent; railroad shops, 28 percent; professional and clerical, 16 percent; others, 14 percent.

There is considerable fluctuation in railroad employment aside from the long-time trends mentioned above. Haulage is directly affected by general economic conditions and employment therefore fluctuates with business cycles. There are seasonal variations also, resulting from heavier freight and passenger movements from different sections of the country at different times of the year. The permanent reduction in business has caused consolidations of railroad lines and the transfer or closing down of numerous railroad shops and terminals. The latter has meant not only loss of jobs, but sometimes serious loss of workers' savings invested in homes and other real estate, because these terminals are frequently lo-

cated in isolated communities having no other businesses to absorb the shock. Employees who are dismissed because of railroad consolidation are now provided indemnities under provisions of a so-called "Washington Agreement" negotiated in 1936 between the railroad employers and unions.

MARITIME EMPLOYMENT

Although numerically not a major occupation, maritime employment is of unique importance because of the strategic position of shipping in relation to the national defense in time of war and to foreign trade in time of peace. The peculiar risks inherent in water transportation make it necessary to surround maritime employment with rules and regulations not required in other types of employment. Like seamen throughout the world, for hundreds of years seamen in this country were held by the courts to be wards of the state; it was not until 1915 that Congress extended to seamen the rights against involuntary servitude which are guaranteed by the Thirteenth Amendment. Although the severe physical discipline on vessels in former years has been abolished, seamen today are subject to rules and discipline which are peculiar to their employment. As a precaution against disloyalty, all officers and pilots and most of the crew of United States ships are required by law to be citizens of the United States. To protect passengers and property, the government has established rules regarding certification of seamen, manning scales, and investment of ships' officers with special authority and power to discipline employees.[14]

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[14] The Merchant Marine Act, as amended in 1936, provided government subsidies to cover differentials in the cost of operating U. S. merchant vessels on routes where they competed with foreign flag vessels. According to the Act, all the crew on subsidized cargo vessels, at least 90 percent of the crew on subsidized passenger vessels, and at least 75 percent of the crew on nonsubsidized vessels must be United States citizens.

Every seaman by signing the ship's articles as a condition of employment binds himself in the following terms: ". . . the said crew agree to conduct themselves in an orderly, faithful, honest, and sober manner, and to be at all times diligent in their respective duties, and to be obedient to the lawful commands of the said master, or of any person who shall lawfully succeed him, and of their superior officers in everything relating to the vessel, and the stores and cargo thereof, whether on board, in boats, or on shore; . . ." (U. S. Department of Commerce, *Navigation Laws of the United States.*)

Maritime workers fall into two main categories: those who work aboard ship and those who work on the shore, that is, seafaring personnel and longshoremen. In the United States they are also divided geographically on the basis of their home port or place of work, namely, inland waterways, Atlantic coast, Pacific coast, Gulf, and Great Lakes. Deep-sea maritime workers are further classified according to the routes of their ships: those engaged in foreign trade; those in coastwise trade, up and down the Atlantic or Pacific coast; and those in intercoastal shipping between ports on the Atlantic and Pacific coasts.

Because of the irregular and casual nature of maritime work there are no accurate employment figures. It is estimated that there are now approximately 225,000 men engaged in maritime occupations, about half of whom are seamen and half longshoremen. Of those on board vessels, almost 70 percent are engaged in deep-sea shipping, about 10 percent on inland river boats, chiefly the Ohio-Mississippi Rivers and their tributaries, and the balance on Great Lakes vessels. Because of the freezing of the Great Lakes, few of the latter are employed during the winter.

The size of the ocean-going merchant marine largely depends upon government policy with respect to ship subsidies, as well as upon tariffs and trade treaties which influence the amount and kinds of shipping carried on United States bottoms at any time and place. During World War II there was a great expansion in employment when the merchant marine was engaged in carrying war materials and military forces across both oceans. At the peak of wartime activities, approximately 250,000 seamen were employed on ocean-going vessels. The United States came out of the recent war with about 6000 merchant-type vessels, which was far more than that for the rest of the world combined. By the spring of 1949 the government and privately owned fleet was reduced to fewer than 1600 vessels, with a resultant decline in employment on ocean-going vessels to approximately 80,000 men.

Seamen

Workers aboard ships are divided into two classes: licensed and unlicensed personnel. In the first group are the masters, mates, pilots, engineers, radio operators, and others who have special training for their work and hold government licenses. The unli-

censed seamen include the stewards and cooks, the firemen and oilers in the engine room, and the able and ordinary seamen on deck. The government maintains training centers for both officers and unlicensed seamen. On a deep-sea vessel approximately 20 to 25 percent of the crew is composed of licensed personnel. Altogether, about 60 different occupations are represented in the crew on a passenger vessel, almost as many on a freighter, and less than half as many on a tanker.

According to custom, seamen are employed for a single round-trip voyage only, although some workers are attached to one ship for several months or even years. Considerable periods of idleness may occur between jobs; this may be due to inability to find employment on another ship but it may also be due to the seamen's desire to stay ashore for a time following a protracted sea voyage. Of necessity, seamen must live on their ship and hence are away from home practically all the time they are employed. From the moment he reports for duty until the voyage ends, the seaman is "in the service of the vessel." On board ship, he lives in the quarters assigned to him; he eats the food served to him; he is on duty 8 hours per day—4 hours "on watch" at a time, with 8 hours "off watch." He cannot leave the vessel at any port without the master's permission and on duty he must obey the master no matter how hazardous the mission to which he is assigned.

Although living conditions are good on modern ships, many of the older ships offer only the barest of comforts. On the smaller ships no medical attention is available, in which case injured or ill seamen are treated by one of the officers and put ashore at the nearest port if conditions require it. At most of the major United States and foreign ports, hotels and clubs are maintained for the convenience of seamen by the United Seamen's Service, a nonprofit private service organization.

Longshoremen

Longshoring, sometimes called stevedoring, includes the work of loading and unloading ships and allied water-front occupations.[15] The longshoreman does not work alone, as an individual. In order

[15] The longshoremen's unions include many warehousemen in their membership, especially those employed in warehouses located close to the docks and handling goods going from or to vessels.

to transfer the ship's cargo to the pier and vice versa, the workers are arranged into gangs, and definite functions are allocated to the separate groups which make up the gang—one group works on the pier, the second on the deck, and the third in the hold of the ship. Although booms and winches, cranes, belt conveyers, tractors, and other mechanical appliances have considerably reduced the amount of physical hand labor necessary to load and unload a ship, the longshoremen are still required to handle, and often also to lift, individual pieces of cargo.

Longshoring is an outstanding example of casual employment, for longshoremen can get work only for the period the ships remain in port, and a varying number of ships may arrive and leave the port every day and at any hour of the day or night. A storm at sea may delay an expected arrival; certain seasons of the year bring more shipping than others. Moreover, unlike most other casual employment, longshoremen are employed not on a full day basis but by the hour and only where and when actually needed. The casual nature of the work, combined with the fact that much of it requires little skill or experience, tends to create a situation in which any man out of work can go to the water front and compete with the men who regularly follow longshoring. Furthermore, the traditional method whereby individual employers hire at each pier through the "shape-up" results in a reservoir of labor sufficient to take care of each employer's maximum needs, thus increasing the total supply of workers to a number far in excess of the demands of the entire port. To an increasing extent, however, the practice of hiring through a central office at each port is replacing the traditional "shape-up" system of hiring by individual employers; through central hiring and control on the Pacific coast, longshoring has been greatly decasualized.

WHITE-COLLAR EMPLOYMENT

White-collar employment has no precise meaning but is commonly used to include those persons who receive salaries or commissions for clerical and other office duties, selling, and professional and technical work. It includes office workers in private industry and in government service, salesmen and saleswomen, teachers, nurses, actors, musicians, technicians, engineers, and members of

other professions. In its broadest meaning it includes the self-employed, such as most doctors, dentists, lawyers, etc., as well as proprietors and managers; but these are excluded from the present discussion.

According to this loose definition about one in every four persons in the labor force (slightly more than 15 million) are employees in white-collar occupations. About one-half of them are in clerical and kindred employment; almost one-fourth in wholesale and retail trade: and more than a fourth in professional and semi-professional work such as teaching, financial and insurance activities, amusement and recreation activities, and professional and technical positions connected with government and with private business.

Although white-collar work is predominantly urban, a considerable number of technicians, clerks, and sales persons live and work in rural and mining communities. Those engaged in teaching, in government, cultural, and amusement activities, and in selling and finance are employed in vocations which are almost exclusively composed of persons of similar employment status. Most other white-collar workers are attached to industries in which they are in a minority and their work is incidental to the production of physical goods. Although indispensable to these business enterprises, in bookkeeping terms they are considered "overhead" or "nonproductive employees."

Diverse and heterogeneous as are the activities of white-collar workers, there are some similarities in their employment conditions as compared to those in other classes of work. In general, their income is not as fluctuating or their employment as insecure as that of other workers. In a period of rising prices their salaries seldom increase as rapidly or as much, proportionately, as the wages of production workers. On the other hand, their employment is usually more stable and their income is not as drastically reduced during periods of falling prices and depressions. Many a household has had to rely upon the salary received by the schoolteacher or stenographer member of the family when the head of the family was laid off because of a factory shutdown.

White-collar employment tends to expand as industrial progress takes place. The generally higher standard of living resulting from industrial development creates a demand for more profes-

sional and semiprofessional services such as teaching, medical and personal services, amusements, etc. At the same time large numbers of the population are released from hand labor and are afforded an opportunity to prepare for and pursue professional vocations.

Most significant, perhaps, is the increase in clerical, selling, and allied work caused by the complexities and ramifications of modern industry. (Currently, almost 19 percent of the total labor force is engaged in clerical and sales activities, in contrast to only 10 percent a generation ago.) "Scientifically" run businesses require technicians and a great deal of paper work; many establishments now maintain scientific laboratories; and all the larger plants, at least, must have careful planning and routing of work, complicated cost accounting systems, and pay-roll records. Commercial activities expand with industrial development, causing large numbers of persons to be employed in advertising, sales, financial, and similar lines of work. Some white-collar work directly displaces hand or foot work—it is difficult to imagine how many messengers would be needed if there were no telephone or telegraph services!

Although there has been a net gain in the proportion of white-collar work during the past generation and this trend will probably continue into the future, the number of white-collar workers in some occupations will decrease. Technology does not stop at the factory door but enters the office also. Typewriters, bookkeeping, and calculating machines, automatic telephones, teletypes, and many other mechanical improvements and scientific discoveries enable fewer white-collar people to do some types of work which formerly required large numbers of employees.

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CHAPTER 3

MANUFACTURING EMPLOYMENT

MANUFACTURING IS THE PROCESSING AND FABRICATION OF THE RAW materials which are procured from nature; it includes the occupations involved in the mechanical or chemical transformation of inorganic or organic substances into new forms. The final product of a manufacturing establishment may be "finished" in the sense that it is ready for utilization or consumption, or it may be "semi-finished" to become a raw material for an establishment engaged in further processing. A manufacturing establishment is described variously as a plant, factory, shop, or mill, and characteristically uses power-driven machines.

GENERAL CHARACTERISTICS

Manufacturing industries are commonly classified into two groups: those which produce durable goods and those which produce nondurable goods. As the titles imply, the first pertains to goods which last indefinitely or for a number of years before they disappear or become obsolescent, and the second refers to perishable products or those which wear out or are quickly consumed. The line of distinction is somewhat arbitrary, and in some situations misleading. For example, glass containers and tin cans are listed under "durable" goods although most of them are soon out of use. Goods for war purposes are peculiarly "expendable"; nevertheless plants which manufacture military aircraft and bombs are classified among the "durable" goods industries. In addition to the two general divisions, government and other statistical agencies commonly classify all manufacturing establishments under twenty industry groups according to products manufactured, as follows:

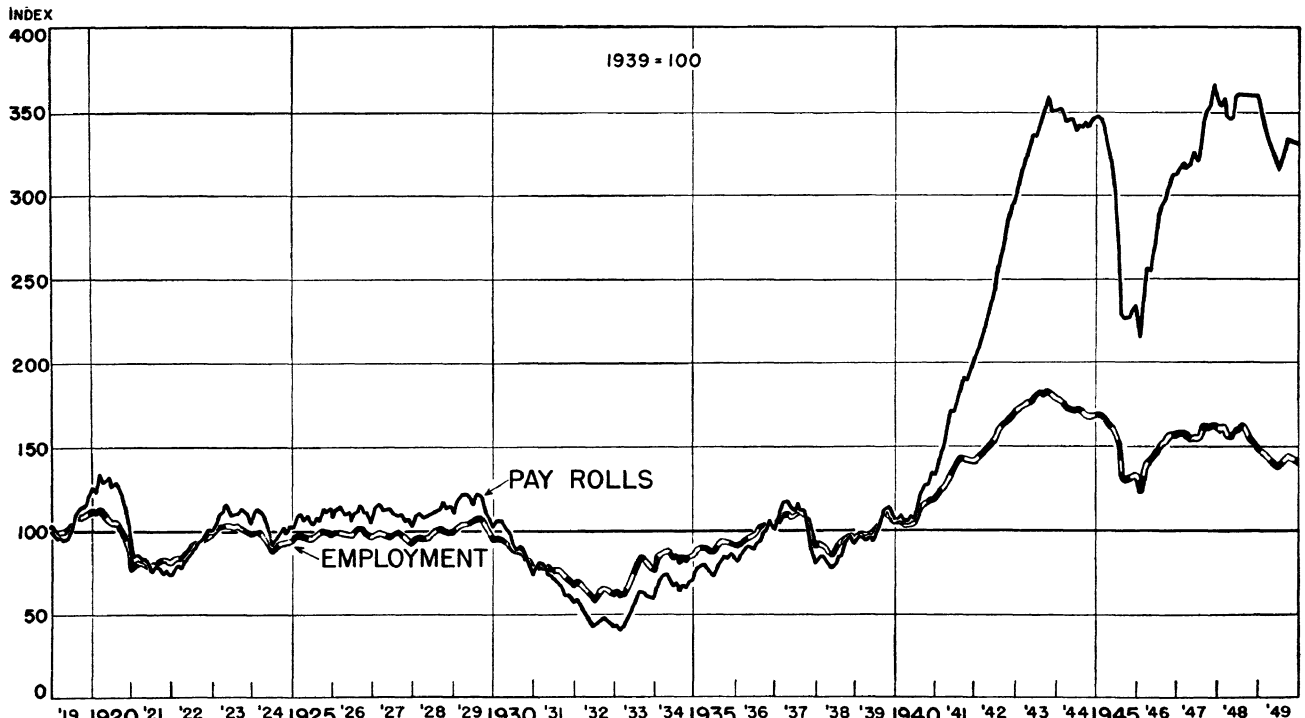

FIG. 8. *Trend of Manufacturing Employment and Pay Rolls, 1919 to 1949.* (*Source: U. S. Bureau of Labor Statistics.*)

Durable Goods	Nondurable Goods
Ordnance and accessories	Food and kindred products
Lumber and wood products (except furniture)	Tobacco manufactures
Furniture and fixtures	Textile-mill products
Stone, clay, and glass products	Apparel and other finished textile products
Primary metal industries	Paper and allied products
Fabricated metal products (except ordnance, machinery, and transportation equipment)	Printing, publishing, and allied industries
Machinery (except electrical)	Chemicals and allied products
Electrical machinery	Products of petroleum and coal
Transportation equipment	Rubber products
Instruments and related products	Leather and leather products

In this country more persons are employed in manufacturing than in any other one activity. (See Fig. 8.) This has been true only within comparatively recent times. As late as 1910 more people were employed in agriculture than in manufacturing. In 1949 there were more than 16 million persons in this country attached to manufacturing industries, of whom about 13 million were production workers and more than 3 million were managers, supervisors, office, and other white-collar workers. The production workers were divided almost equally between durable goods and nondurable goods industries.

The 1939 census indicated that 97 percent of all manufacturing establishments had fewer than 250 wage earners on their pay rolls, but that the total number of workers employed in these relatively small plants included less than half of all manufacturing workers. Approximately 52 percent of the total workers in manufacturing were employed in the 3 percent of the establishments which had more than 250 workers on their pay rolls, and over 10 percent of all factory workers were employed in establishments which had 2500 or more employees. This trend toward concentration of employment in large plants was accelerated during the war when it was estimated that more than 60 percent of all factory workers were employed in 2 percent of the total manufacturing plants in the country.

Many small as well as large plants are not independently owned and operated but are branch plants of a centrally administered

corporation. Considerably more than half of all factory wage earners in the country are employed by plural-unit organizations, that is, in branch plants of large corporations. During the decade preceding World War II the proportion of manufacturing workers employed in single-unit or independent plants declined approximately 23 percent. This trend toward centrally administered, multiple-plant operations is of the utmost significance in collective bargaining procedures and employer-labor relations, as is indicated in later chapters.

TABLE 4. Distribution of Manufacturing Wage Earners According to Size of Establishments, 1939[1]

Size of Group	Percent of Total Establishments	Percent of Total Wage Earners
Total	100.0%	100.0%
No wage earners	4.5	
1–5 " "	41.2	2.6
6–20 " "	26.6	6.9
21–50 " "	12.8	9.7
51–100 " "	6.5	10.7
101–250 " "	5.2	18.6
251–500 " "	2.0	16.1
501–1000 " "	0.8	13.0
1001–2500 " "	0.3	11.9
2501 and over " "	0.1	10.5

Factory employment includes a great variety of occupations and work situations which no general statements concerning manufacturing as a whole can adequately reveal. Space does not permit a description of the manifold types of employment which exist throughout all manufacturing; hence the following is necessarily limited to brief summaries of the general employment situation in a few of the more important or especially significant industries.

STEEL

Steel is the largest of the manufacturing industries and provides the principal raw material used in a great variety of industries. As a consequence, it has a far-reaching influence upon many other

[1] *1940 Census of Manufactures*, vol. I, pp. 119, 120.

industries and is commonly used as a barometer for indicating the general economic condition throughout the country.

The term "steel industry" includes both the making of steel and the manufacture of steel products. Steel-production plants, which are commonly referred to as the "basic" or "heavy" iron and steel industry, differ with respect to their degree of integration. The fully integrated plants have blast furnaces for manufacturing pig iron, steel-making furnaces, and rolling mills. Nonintegrated plants buy the pig iron or the raw steel and operate rolling mills. Most of the fully integrated companies also operate their own iron and coal mines—so-called "captive" mines.

As a result of the great investment required in plants and machinery as well as the economies of large-scale mass production, a very few large companies dominate the basic or heavy branch of the industry. Ten companies[2] have almost 80 percent of the steel-making capacity in the country; the U. S. Steel Corporation alone has more than 30 percent of the total. The industry has tended to concentrate in Pennsylvania, West Virginia, and Ohio where coal and iron are easily accessible; but within recent decades large plants have been opened in Alabama, and in the Chicago-Gary area, and during the 1940's steel plants were established in Utah, Texas, and on the west coast. The manufacture and fabrication of steel products are more widely scattered geographically than is steelmaking, and ownership is not confined to a few large companies.

Employment Conditions

Before World War II the entire steel industry, including the making of steel and steel products,[3] employed about a million wage earners. During the war the capacity of the industry was greatly increased and in 1948 an average of almost 1⅔ million production workers were employed. Just prior to the outbreak of the war the automatic continuous sheet rolling mill was widely introduced,

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[2] In addition to U. S. Steel, they are Jones and Laughlin, Wheeling, Crucible, Bethlehem, Republic, Youngstown Sheet & Tube, Inland, National, and the American Rolling Mill Companies.

[3] The census includes under "steel products" heating equipment and boiler shop products, tinware and wire, hand tools, cutlery, and general hardware. It does not include machinery, automobiles, and other transportation equipment.

which is leading to drastic changes throughout the industry. In normal times, steelworkers suffer irregularity of employment not only because of technological developments but also as a result of fluctuations in business. Like other durable goods manufacturing, the steel business is dependent upon orders received from other businesses and it is therefore very sensitive to the ups and downs of general prosperity and depressions.

The types of occupations involved in the making of steel range from the highly skilled rollers and smelters to common laborers. The semiskilled and unskilled jobs are in the majority; fewer than one-fourth of the occupations are now rated as skilled work and technical changes are tending toward further reduction of the more skilled jobs. On the other hand, technical improvements such as lifting and conveying machines in the furnace operations have replaced much heavy physical labor. In the steel products branch of the industry much of the work involves the use of delicate precision tools. In the smaller plants all-round skilled machinists are used for this work, but in the larger plants the work tends to be subdivided into numerous semiskilled occupations.

Although work in steel plants is not as monotonous as assembly-line work, much of the labor is dirty and hot and is performed in drafty rooms filled with noxious gases, smoke, and dust. In plants having the continuous sheet mill process, the work is less arduous and the working environment much cleaner. Because of the noise and the great mass and weight of much of the materials and equipment which are handled, employment in steel mills involves hazards, although accidents have been greatly reduced through safety programs. Steelmaking is a round-the-clock process and furnaces are seldom banked so long as there is steel to be produced. Until recent years blast furnace workers were employed on a 7-day-week schedule, some working on a 2-shift, 12-hour-day basis; others on a 3-shift, 8-hour-day basis. At present the 8-hour-day, 5-day-week shifts prevail, with individual workers rotating shifts, one week on the day shift, the next week on the afternoon shift, and the third week on the midnight shift.

The large size of mills required for the making of steel, together with the advantage of having them near railroad facilities and coal and iron supplies, has caused many steel plants to be located in outlying communities where company towns have been estab-

lished similar to company towns in coal mining regions. In some instances the steel companies have owned or controlled entire towns; in most instances the company's influence is less direct but nevertheless dominant because the steel mill is the only place of employment in the community.

AUTOMOBILES

Motor vehicle manufacturing, a giant industry developed during the 20th century, has become a popular symbol of the assembly-line technique of mass production. It is the largest single consumer of steel products[4] and, like steel manufacturing, automobile assembly plants require large capital investments and thus tend to be concentrated among a few large companies. However, motor vehicle manufacturing is the final link in a chain of industrial processes which involves the assembling of thousands of parts,[5] and a large proportion of these parts are produced by small scattered concerns on a contract basis for the large automobile companies. Even the Ford Motor Company, which is unique in its high degree of self-sufficiency, depends upon outside sources for at least half its materials and parts.

Although fewer than a dozen corporations produce most of the automobiles that are now being manufactured, a majority of the companies operate numerous plants located in different areas. Michigan, more particularly Detroit, has always been the center of the industry. At least 60 percent of all automobile workers are employed in Michigan plants, with another 15 percent in Ohio and Indiana plants.

During World War II, employment in the automobile industry expanded as plants were converted to the manufacture of many

[4] According to the 1939 census, the motor vehicle industry consumed 18 percent of the steel industry's annual capacity, 80 percent of the total weight of passenger cars and commercial vehicles being represented by various kinds of steel.

[5] One authority describes a car as "an assembly of more than 15,000 parts held together by a variety of devices, including nuts, bolts, cotter pins, screws, nails, tacks, rivets, welding, brazing, soldering, adhesives, clamps and air pressure (in tires)." Other authorities, however, say there are about 7000 parts in a modern passenger car. The difference in figures is due to difference in definition of a "part," the larger number listing every different type and size of a screw, for example, as one part. (*Automobile Facts*, January, 1946.)

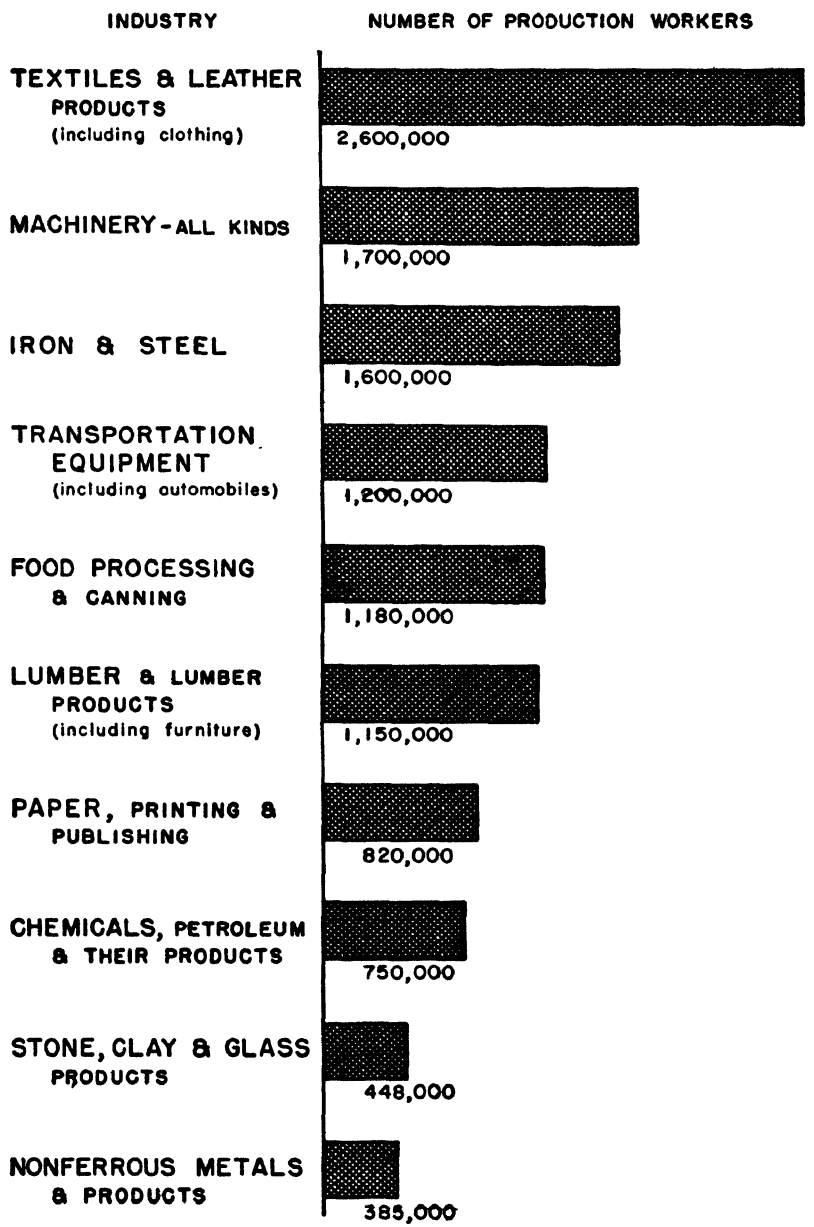

FIG. 9. *Production Workers in Major Branches of Manufacturing, 1949.* (*Source: Bureau of Labor Statistics.*)

other products such as aircraft engines and parts, cannon and ammunition, bombs, tanks, containers, and a host of other ordnance equipment. After reconversion, the demand for automobiles and trucks was so great that wage-earner employment increased to almost 800,000 in contrast to 400,000 before the war. During normal times employment in the industry is seasonal, with plants closing down several weeks or months each year while they get ready to manufacture new models of cars.

Because of the minute subdivision of work in assembly plants, the labor is highly specialized and most of it is semiskilled or unskilled. A majority of the workers are machine tenders and assemblers who perform specified tasks as material flows by them on a conveyer line. Even in the tool and die room the work has been subdivided so that relatively fewer all-round tool and die craftsmen are needed than before the war. The conveyer system lends itself to the speed-up which has been a controversial issue between employers and workers for many years. Speed-up on an assembly line can be easily accomplished either by mechanically adjusting the lines to move faster or by reducing the number of men working on the line so that each one will have to do more work.

RUBBER

Prior to World War II, the rubber industry was correctly termed the rubber *products* industry since it was largely confined to the processing of raw rubber into manufactured goods. When the war with Japan shut off the supply of rubber from the East Indies, the industry was forced into the making of synthetic rubber. Like the steel industry, the rubber industry now includes the making of rubber as well as the manufacture of rubber products. Although rubber products embrace a wide variety of goods, two-thirds of the entire value of the rubber output goes into tires and tubes; and employment therefore is dependent to a great extent upon the automobile industry.

The rubber industry is largely dominated by four companies which produce at least three-fourths of the tires and tubes manufactured in the entire country. Since the beginning of the rubber industry in the 1870's, Akron, Ohio, has been the world's tire-

[6] Goodyear, U. S. Rubber, Firestone, and Goodrich. In addition to other tire companies, several chemical and petroleum companies make synthetic rubber.

making capital.[7] Until a few years ago more than half the rubber workers in this country were employed in plants located in Akron, but during the war a number of new plants were established, chiefly in the South and West, and employment is now more widely scattered.

Important as the rubber industry is, the volume of employment is comparatively low because of extreme mechanization. During the ten-year period 1921–1931 technological changes doubled the number of tires produced per man-hour, despite the improvements in size and weight of tires. If the 1921 methods had continued, 43,000 additional tire workers would have been required to make the number of tires produced in 1931.[8] Currently, fewer than 200,000 production workers are employed in the entire rubber industry, including tires and other rubber products.

The processing of both crude and synthetic rubber involves a considerable amount of skilled labor, but the manufacture of rubber products is now so highly mechanized that semiskilled and unskilled workers perform most of the tasks. Considerable skill is required of the tire builder when the various parts of the tire are assembled or put together by hand on a drum, but some factories use the assembly-line method of building tires in which each member of a crew of workers has a specialized task which he can learn to do in a few days. Formerly, the curing or vulcanizing of tires (heating under pressure so that the tires will withstand changes in temperature and humidity) required a great deal of strength and endurance, with the men working in "pits"; however, mechanization has eliminated most of the physical discomforts in this process, although physical strength is still required in the handling of heavy tires.

GLASS

Although not one of the major industries in volume of employment, modern glass manufacturing is of interest because it exemplifies the transition of an ancient handicraft into mass machine

[7] Originally there was no natural reason for Akron to become the rubber center. In 1870 Benjamin F. Goodrich was persuaded by Akron businessmen to move his small rubber factory from Hastings-on-Hudson, N. Y. The success of his venture persuaded others to follow suit. With the great automobile boom in nearby cities, Akron proved to be in a favorable location to meet the demand for tires.

[8] *Monthly Labor Review*, December, 1932, p. 1258.

production. The making of glass is one of the oldest of occupations and in ancient and medieval times glassworkers were held in high esteem, second only to painters and sculptors, for their artistic abilities. For thousands of years[9] there was very little change in the method of glassmaking, although improvements were made in the furnaces and coal was substituted for wood; later gas replaced coal as a fuel. During a quarter of a century (1900–1925) glassmaking changed from an almost 100 percent hand process to a completely mechanized industry. Simultaneously there was a vast expansion as a result of the increased needs for glass from the electrical (light bulbs), automobile (window glass), and food (container) industries.

The glass industry has three major divisions: flat glass, which includes ordinary window glass and plate glass, most of the latter being used in automobiles; pressed and blown (flint) glass which is used for tableware; and containers or glass bottles. Most of the glass now being manufactured is produced in Pennsylvania, West Virginia, Ohio, Indiana, and Illinois, in localities which are close to fuel supplies and to the markets for the finished goods. Concentration in ownership has accompanied mechanization and a large proportion of all the glass now manufactured is produced by a half-dozen companies.[10]

Prior to mechanization, glass blowing was a highly skilled occupation. For bottle making, the expert reached into the furnace with his pipe, got a gob of the sticky molten glass, pulled it out, dropped it into a mold, and then shaped the bottle by using his lung power and the manipulative skill of his fingers to twirl the pipe. Window glass was made by blowing huge cylinders which were then split and flattened into sheet form.

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[9] The manufacture of glass probably originated in Egypt and from there spread throughout the ancient world. After the downfall of Rome the secret of glassmaking was lost for almost a thousand years until Venetian glassmakers rediscovered the art. In 1900 the process of blowing bottles and other glassware was essentially the same as that used in Egypt 3500 years previously.

[10] About 90 percent of the flat glass is produced by the Libby-Owens-Ford, Pittsburgh Plate Glass, and American Window Glass companies; about a dozen companies, including Corning Glass Works, produce the bulk of the pressed and blown ware; 40 percent of the containers are manufactured in plants operated by the Owens-Illinois Company, and most of the other companies producing glass bottles are licensed by the Hartford-Empire Company which controls the patent rights to the equipment used.

The blower's job required great skill and lung power and he was exposed to the intense heat and gases from the furnaces as well as to the danger of silicosis. Present-day methods of production have removed much of this unpleasantness and danger. It has also left few skilled workers in the industry but has eliminated the use of child labor—the young boy helpers who made up almost half the work force in hand shops. The mechanical revolution in glassmaking has naturally resulted in a greatly increased output per worker. Expansion of business, however, has enabled the industry to employ more workers than in the days of hand methods. In 1900 about 53,000 wage earners were employed in the glass industry; currently about 100,000 production workers are employed.

MACHINERY

Machinery is the basis of all modern industry. The transition from hand tools to power-driven machines marked the beginning of the Industrial Revolution and the factory system of production. The making of machinery is a fabricating process, but machines, in turn, are used to make the metals and parts of which they themselves are made. So far as their ultimate use is concerned, machines fall into three general categories: those which are used in the making of other machines; those which are used in the manufacture of other commodities; and those which are used by consumers—office, farm, and household machines and appliances, including radios.

Machines which are used to make other machines are commonly called machine tools and primarily have to do with forming and cutting metal; they are the lathes, drills, grinders, planers, milling machines, etc. Machines used in the manufacture of other goods may be general-purpose machines such as engines and turbines, pumps, air and gas compressors, power transmission equipment, etc. An increasing number of machines, however, are single-purpose machines—for example, textile machinery, shoe machinery, printing machines, mining and construction machinery, and numerous other machines made especially for particular industries.

Machines, of course, are of all sizes, from tiny bench tools and appliances which can be lifted with one hand, to large milling ma-

chines and immense water turbines. The types of employment vary as much as the kinds of machinery manufactured. In spite of much subdivision or dilution of jobs, machine shops and fabricating plants employ many all-round machinists, tool and die makers, pattern makers, metal polishers, molders and foundrymen, and other craftsmen who have spent years in learning their jobs. On the other hand, there are many semiskilled and unskilled occupations, especially in the electrical equipment industries where there are mass-production and assembly-line operations and where many women are employed to do minute, specialized tasks.

Before the war fewer than 800,000 production workers were employed in the various machinery industries; during the war employment reached a peak of 2 million; in 1949 it was about 1⅔ million. Employment is widely dispersed, for almost every community has at least one machine shop for repairs and the making of small parts. The bulk of the industry, however, is in the Great Lakes region, especially in Illinois and Wisconsin where some of the largest machinery manufacturing plants in the world are located. Most of the shoe and textile machinery is manufactured in New England and the Atlantic seaboard states, and plants producing other electric machinery of various kinds are located in New York, Pennsylvania, and elsewhere in the East and Middle West.

TEXTILES

Spinning and weaving are among the oldest of human occupations, but for thousands of years there were no essential changes in the methods used. The primitive instruments for spinning were a pole or distaff on which the raw fiber was fastened, and a slender shaft of wood known as the spindle upon which the fibers were twirled. For weaving, warp threads were tied to two horizontal poles attached to trees or upright posts and the woof (weft) was inserted by means of a pointed stick. The spinning wheel, introduced in Europe in the 6th century from India, was the first mechanical device; later came the hand loom which was used for hundreds of years throughout Europe and in the American colonies.

The Industrial Revolution had its beginnings in Great Britain in the textile industry. The first use of power machines was in the

making of textiles and this industry was the first to substitute the factory system for household manufacturing.[11] During a fifty-year period in the middle of the 18th century one machine after another was invented which revolutionized the process of textile making. Some were designed to substitute mechanical for manual power, others to improve and speed up the spinning and weaving operations.[12] For a hundred years after these 18th-century inventions there were no fundamental changes in the process of textile manufacturing. During the past fifty years, following the introduction of the battery loom[13] in 1895, there have been many new developments to provide greater automaticity and speed of operations as well as better quality of products. Probably the most important are the inventions for automatically stopping the loom when a warp breaks, for they make it possible to increase greatly the number of looms a weaver can tend. At the present time one weaver sometimes operates more than 100 looms.

According to the type of fiber used, there are three major branches in the textile industry: cotton, which provides almost 80 percent of the total fiber consumption; wool, which provides about 10 percent; the synthetic fibers, rayon and nylon, which now include almost 10 percent, and silk which now provides less than 1 percent, of the total fiber used in the American textile industry. Almost 40 percent of all textiles goes into nonclothing items such as twine, tires, awnings, carpets, etc.

A comparatively few textile plants are fully integrated; that is, perform all the processes from the preparation of the raw fiber through the final finishing of the textile fabrics. Half the cotton textile mills do only spinning or only weaving, and even plants

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[11] In these early factories about half the textile workers were children. The deplorable child labor conditions existing at that time is indicated by the British factory laws enacted in the early 1800's which sought to improve conditions. The first act, for example, forbade binding out children under 9 years of age to employers, restricted labor to 12 hours a day, and prohibited night work for minors.

[12] The more outstanding of these numerous British inventions were the Kay flying shuttle and "drop box," which permitted the use of several shuttles with different colored yarns, the Hargreaves spinning jenny, the Arkwright water frame, the Crompton mule, the Cartwright power loom.

[13] The battery loom automatically ejects the empty bobbin from the shuttle and inserts a fresh bobbin during the fraction of a second in which the shuttle is at rest between trips across the loom.

which do both operations rely very largely upon converting plants for the dyeing and finishing processes. The manufacture of rayon and nylon[14] is entirely separate from the production of rayon or nylon goods.

There is specialization also in the kinds of processing done. There are hosiery plants and mills producing knitted products of various kinds, woolen goods mills, and mills producing worsted goods. Worsted goods are tightly spun and closely woven materials produced from long fibers combed from virgin wools, and woolen goods are loosely woven with a rough surface and are made from short fibers and reworked or "shoddy" wool. Preparatory to spinning, the individual fibers which comprise the woolen yarn are crossed and intermixed in one major process. The manufacture of worsted yarn for either knitting or weaving is somewhat more complicated, inasmuch as the wool fibers must lie parallel to each other, be of relatively even lengths, and be stretched or drawn prior to spinning. This involves three major processes—carding, combing, and drawing. These added processes, of course, require the use of additional labor and machinery not necessary in the manufacture of woolens.

Textile manufacturing is highly decentralized. Although there are several comparatively large companies, a few concerns do not dominate the industry as is the case in the so-called "heavy" industries. There are more than 1000 cotton mills and at least 700 woolen plants, in addition to the several hundred plants devoted exclusively to printing, dyeing, and finishing. A few large companies make most of the rayon and nylon,[15] but there are over a thousand silk and rayon throwing (yarn and thread) and weaving mills.

Textile Employment

From colonial times until the latter part of the 19th century most cotton mills were concentrated in New England where there were abundant water power and shipping facilities for the receipt of raw cotton from the South. New England was also the center of

[14] The census classifies the making of rayon and nylon filament under chemical industries.

[15] The largest are the American Viscose Corporation, the E. I. du Pont de Nemours & Company, and Industrial Rayon.

woolen manufacturing, although many woolen plants were also located in New York, Pennsylvania, and New Jersey. Paterson, N. J., became known as the "silk city," but many throwing mills have been established in the mining and other rural communities of Pennsylvania and Maryland, where there were plentiful supplies of female labor.

Sixty years ago cotton textile manufacturing began to move South; by 1925 the South's cotton textile capacity equaled that of New England and at present there are three times as many spindles in southern mills as in New England mills. There are various reasons for this great southern expansion. In addition to the economies involved in bringing cotton mills to the cotton fields, there were also economies resulting from the lower taxes and wages in the southern states. Also companies find it easier to install the latest and most efficient machinery in entirely new localities where plants can be constructed to provide maximum efficiency of operation and where there is less labor resistance to innovations.

In many industries the labor displacement caused by technological advancement has been compensated by expansion of the industry. This has not been true in the textile industry where the long-time trend in volume of production has remained about stationary and mechanical improvements, therefore, caused a reduction in the total amount of employment. In spite of the tendency toward reduction in the labor force, however, the textile industry furnishes a large amount of employment. Over a million wage earners are normally employed in the various branches of the industry.

Because textile manufacturing is highly mechanized, many of the occupations require only a few days or weeks to learn, although a considerable degree of skill and experience is required to operate the spinning and weaving machines. Most textile mill employment involves dexterity of hands and arms, good vision, coordination of movement, and work at high speeds. In general, although the rooms are well lighted, they are kept humid and lint is usually prevalent in the air, particularly in the wool carding room. The weavers generally work under rather unpleasant conditions because of the noise and vibration of the looms; in the dye house there is usually some odor from the dyestuffs, and the floors are generally wet. In nearly all the jobs, workers are required to stand and some jobs require a considerable amount of walking.

CLOTHING

Garments

Ready-to-wear garments are produced in a dozen or more different industries, all of which, however, have a common technology which also designates the predominant type of employment, namely, "needle trades." Until about fifty years ago most men's, women's, and children's clothing was made in the home or in the corner tailor shop where the only tools were a pair of scissors, a needle, a foot-power sewing machine, and a pressing iron. In the modern clothing factory there are high-speed electrically driven cutting devices which cut through thick layers of materials, hundreds of specialized forms of power sewing machines, some of which make as many as four or five thousand stitches a minute, and special pressing machines for each part of a garment. The work is highly subdivided. There are 50 or 60 separate operations in making a coat, for instance, and as many as 200 different workers participate in the making of a single suit.

Most of the manufacture of coats, suits, and dresses is concentrated in a few areas. Over one-fourth of those employed in the making of men's clothing and almost two-thirds of those making women's clothing are located in the New York City area. Chicago, Philadelphia, and St. Louis are also centers for the manufacture of both men's and women's clothing and a considerable amount of men's clothing is made in Baltimore, Rochester, N. Y., Cleveland, Boston, and Cincinnati. Cotton dresses and work clothes are also made in numerous small towns scattered throughout the country, especially in the South.

Although highly concentrated geographically, the clothing industries are notable for their wide diffusion in ownership and management. There are eight or ten comparatively large companies in the men's clothing branch, but they employ only about 10 percent of the total workers. Practically all women's garments and most of the clothing for men are made in thousands of small shops employing from a dozen to several hundred workers. Aside from a few of the large integrated plants, mostly in men's clothing, garment manufacturing is predominantly under the jobber-contractor system, a situation which creates unique problems in labor relations and wage setting.

Under the contract system the patterns are designed and the materials are cut in the factory or "loft" of the jobber-manufacturer and the pieces are then sent out to numerous contract shops for completion, the finished parts being returned to the jobber who handles the selling. Each of these small contract shops is highly specialized, making a single part of a garment—for instance, a coat or a vest—and some of them specialize in particualr operations such as buttonholes, trimmings of particular types, etc.

Numerically, the contractors are by far the most important employing group, but they in turn receive their orders from the jobbers; the latter, therefore, actually control wages and working conditions. Because of the severe competitive bidding among the numerous contractors, the jobber is able to play one against the other, thus frequently forcing the contractors to reduce wages to stay in business. A few years ago "contract shops" were almost synonymous with "sweatshops." This condition has been greatly improved since labor unions have grown sufficiently strong to negotiate uniform agreements and methods for price settlement, as well as regulations pertaining to jobber-contractor relationships which alleviate the cutthroat competition among the contractors.

Normally, about 900,000 workers are employed in the ready-to-wear garment industry, although employment fluctuates with the seasons as well as with the general purchasing ability of consumers. For those employed in the making of women's clothing, there is additional irregularity of employment caused by frequent changes in styles and consequent shifts in kinds of operations and processing required, as well as by turnover in plant management and the moving of shops to other locations. Although clothing manufacture is highly mechanized, employment involves much more than the mere tending of automatically run machines, for in spite of all the gadgets to minimize the need for human judgment and skill, there is still need for close attention and dexterity on the part of the machine operator.

Shoes

Clothing, of course, includes many other items in addition to garments made from cloth—hosiery and other knit goods, fur coats, hats made of various materials, rubber raincoats and boots, and, most important, leather shoes. Each of these industries has

its own peculiar employment conditions and problems, but here we limit ourselves to a few comments about shoe manufacturing.

For thousands of years, until the middle of the 19th century, shoes were made in the home by itinerant cobblers[16] or in little shops where a master shoemaker and his apprentices worked with hand tools consisting of knife, curved awl, needle, pincers, hammer, lapstone, a tub of water to wet up the leather, and shoe lasts of various sizes and shapes. In 1835 a leather-rolling machine was invented which eliminated the lapstone and hammer. During the 1850's the sewing machine was adapted to leather sewing for stitching the uppers of shoes. A revolutionary change came a few years later when the McKay and Goodyear machines were invented to stitch together the upper and bottom parts of the shoes.[17] Following these basic innovations there have been many inventions to speed up the process and improve the quality of shoemaking. In a modern shoe factory there are hundreds of different kinds of machines; not all of them are used on every pair of shoes, however, for different machines are used for the various grades and styles. Nevertheless, every pair of shoes passes through no less than a hundred different hands in the process of manufacture.

A unique feature of the shoe industry, and one which has far-reaching effects upon its economy, is the machinery leasing system. Unlike most other manufacturers who buy their machines, shoe manufacturers rent theirs, mostly on a royalty basis, from two or three shoe machinery manufacturing companies who hold patent rights on practically all the machinery required in shoemaking. The renting of machines materially reduces the amount of capital needed to operate a shoe plant and encourages many persons to enter the business who are soon compelled to close. With little to lose, enterprising individuals establish new plants more on hope than on sound business needs, and to attract initial orders they sell their products below the cost of production. This, of course, causes unemployment in the older established firms and

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[16] In England the term "cordwainer" was used instead of shoemaker. This was because the leather came from Cordoba, Spain. "Cobeler," derived also from this name, later came to mean repairer (cobbler) of shoes.

[17] The McKay machine reduced the cost of stitching from 75 cents to 8 cents a pair and thus made possible the stitching of the cheapest shoes which formerly had been pegged.

after a season or two the workers in the new plants are thrown out of employment when these collapse.[18]

Shoemaking, like other clothing manufacturing, tends to be concentrated in certain geographical regions. Shoemaking started during early colonial times in Massachusetts, and for many years Brockton, Lynn, and Haverhill were the chief centers, although a number of plants were established in New York and Philadelphia early in the 19th century. During the past fifty years shoe manufacturing has migrated and expanded in two directions: from large urban centers to surrounding small communities, and from the eastern seaboard states to the Middle West. Almost 90 percent of the 220,000 normally employed shoemakers are located in nine states: Massachusetts 22 percent, Maine and New Hampshire 15 percent, New York and Pennsylvania 20 percent, and the Middle West states of Ohio, Illinois, Wisconsin, and Missouri 33 percent. Of the remaining, most are employed in recently established plants in Tennessee, Kentucky, and California.

Shoe plants tend to be comparatively small in size. Almost 10 percent of all shoe workers are employed in plants which have fewer than 100 employees, and 60 percent are in plants which have 100 to 500 employees. While a majority of these plants are independently owned, several large shoe corporations own and operate many branch plants.[19] In spite of all the machinery used in the industry, many of the jobs require considerable skill, and most of them require great precision and some degree of judgment. The cutter not only must know how to use a hand knife or operate a cutting machine, but must also use judgment in placing the patterns on the skins of leather; the topstitcher and vamper must not only operate stitching machines with speed and precision but simultaneously fit different parts of the shoe together.

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[18] The average life of all shoe firms that did business in the thirty-year period ending in 1935 was only six years. Since many companies operated continuously, the turnover of the unstable plants was much greater. (H. B. Davis, *Harvard Business Review*, vol. xvii, No. 3, p. 332.)

[19] The International Shoe Corporation of St. Louis, the largest shoe manufacturer in the world, operates no less than 45 branch plants in different towns in Missouri and Illinois, besides several in New Hampshire and Kentucky. The Brown Shoe Company, with headquarters also in St. Louis, the Endicott-Johnson Co., in New York State, and the General Shoe Corporation in Tennessee, are among other large companies with a number of branch plants.

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CHAPTER 4

LABOR PRODUCTIVITY

FOR THOUSANDS OF YEARS THE FOOD, CLOTHING, AND A LIMITED number of other necessities and luxuries used by man were produced by human labor with the aid of simple hand tools and domestic animals. Transportation and communication, the life line of modern industry, were practically the same at the turn of the 19th century as they were at the dawn of history. On land, people and goods were hauled by man or beast, and on water by the wind or oarsmen. So far as the long history of mankind is concerned, the substitution of mechanical energy for animate labor is relativly recent—a development of the past 150 years.

The impact of this change upon the whole environment of human life has caused immeasurable adjustments in the economic and political balances of nations and the cultural patterns of peoples. It can safely be said that the greater part of all the social and political changes which have already occurred and are now taking place have been precipitated by the introduction of mechanical power and subsequent mechanical inventions and chemical discoveries. The effects of these technological developments upon all aspects of our individual lives and group relationships are challenging subjects, but many of them lie within the realm of the other social sciences. The present discussion is confined to the impact of recent technological developments upon volume of production and employment.

GENERAL EFFECTS OF IMPROVED PRODUCTIVITY

In the preceding chapters only a few of the many types of work activities were described, but they serve to suggest some of the outstanding characteristics of employment in modern times. Some,

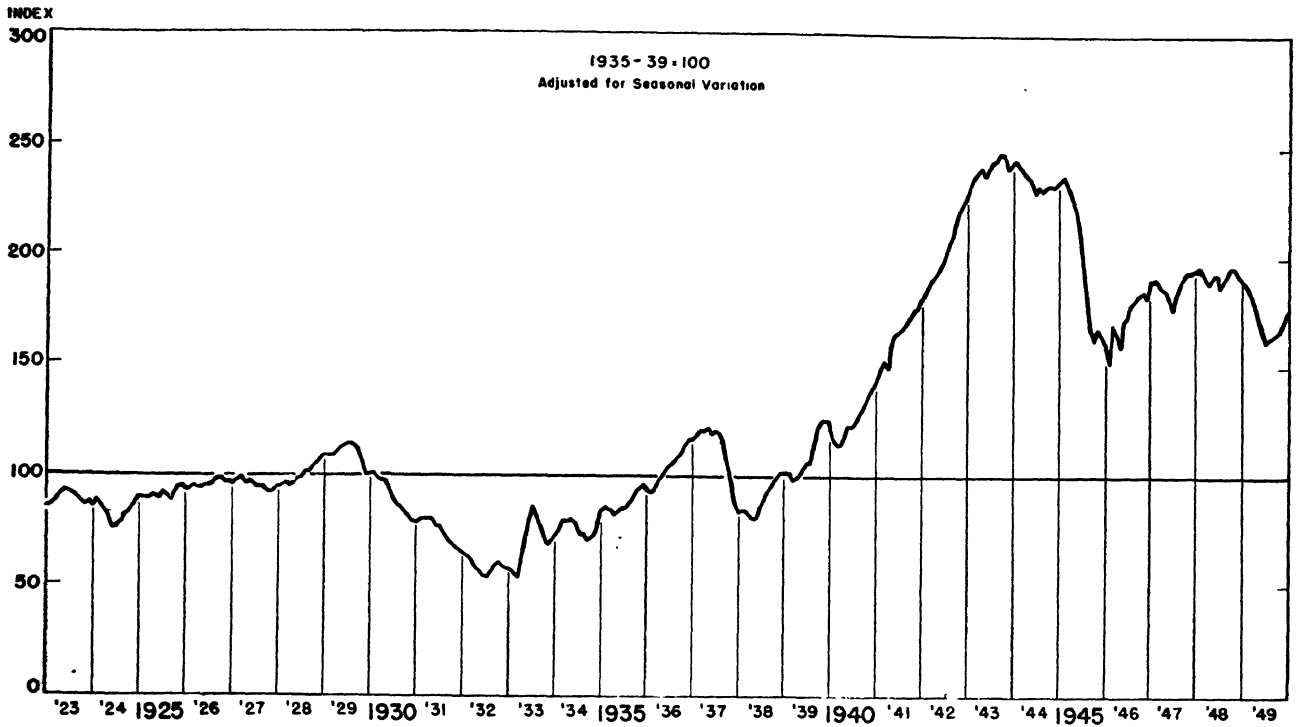

FIG. 10. *Trend of Physical Volume of Industrial Production, 1923 through 1949.*
(Based on Federal Reserve Board data.)

like automobile manufacturing, refer to jobs in newly created, 20th-century industries; others, like agriculture and textiles, refer to vocations which are as old as civilization so far as the goods produced are concerned. Whether the jobs are in new or age-old industries, they all reveal the effects of the revolutionary changes which have taken place as a direct or indirect result of the introduction of mechanical power and machine methods.

Because these changes are factors in all the problems having to do with labor and labor relations, it may be helpful to recapitulate the more important effects of the use of mechanical power and machine inventions upon workers and labor conditions:

1. The need for physical exertion has been greatly reduced.

2. Skill requirements on many jobs have been reduced and the proportion of semiskilled occupations has increased.

3. Workers have been enabled to produce much more within a given time and therefore shorter work hours and more leisure have been made possible.

4. Industrial employment has been centralized within factories and these factories have tended to be located in urban congested areas; however, this tendency has been somewhat reversed during more recent times.

5. The production of many new commodities has been made possible and thus opened up new jobs in many new industries.

6. Simultaneously, many jobs have been eliminated, causing unemployment and labor displacement.

7. In many lines of work, mechanization has increased accident and health hazards but in other occupations such hazards have been greatly reduced.

8. As a result of the greatly increased productive potential and the disparity between production and consumption, markets tend to become glutted at periodical intervals, causing mass layoffs.

9. Because machinery necessitates capital investment, many self-employed artisans as well as "small" employers have become employees of large corporations, and an increasing proportion of the population is tending to join the ranks of wage earners.

10. Corporate forms of business enterprise, in turn, have impersonalized ownership (shareholders with hired managers, in contrast to owner operation) and created complex hierarchies of

management control which have given rise to unique problems in management-labor relationships.

MEANING OF LABOR PRODUCTIVITY

In considering the wealth of a nation or the status of any particular industry, one of the most important elements is total production or total productive capacity. The volume of production of any country or industry is a measure of the accomplishment of its total resources, natural and human, but it does not necessarily reveal the efficiency of its productive processes or indicate the amount of goods and services which are available for individual consumption. To illustrate: The volume of production of two countries may be equal, although one has twice the area and population of the other. Likewise, the total production of any industry may be the same at two different periods, even though the number of persons employed in the industry has increased or decreased. For certain purposes, comparisons of total volume of production are necessary and useful. It is obvious, however, that total volume must be related to the number of persons who produce and are supported by that production if a measure of the economic well-being, or potential well-being, of these persons is sought.

This ratio of the quantity of production to the number of workers employed (or man-hours worked) is termed labor productivity. Productivity is essentially a measure of the efficiency of the productive enterprise expressed in terms of output per worker or per man-hour or other unit of time. It is not a measure of human energy expended, for the volume of productivity under any given circumstances is contingent upon how human labor is implemented and utilized, as well as upon the efforts put forth by the workers themselves.

Measuring output in terms of the employed worker, or the man-hours or man-years worked, is merely a matter of convenience. In agriculture, productivity is frequently stated in terms of acres of soil, although, of course, the yield from any acre of ground depends not only upon the fertility of the soil but also upon how the farmer works the soil—the selection of crops best suited to the particular soil, the effectiveness of pest control, the use of ma-

chinery in planting and harvesting, and the labor of the farmer himself. In industry, productivity can also be measured in terms of dollar investment or unit of mechanical energy or plant equipment used. Because of the impact of changes in productivity upon employment and the entire economy of an industry and upon the welfare of the nation, its measurement as a ratio of labor utilized or expended has wider application and more general significance than its measurement in terms of any other factors involved in the productive process.

Productivity is a relative matter, and can be measured only by comparing the amount produced by any given number of workers with the output of the same number of workers at another time or under other circumstances. In its broadest aspects, productivity signifies the difference between existing standards of living in contrast to a bare subsistence living obtained by continuous work from dawn to dark, for it is only through improvement in productivity that the mass of people have been able to obtain the comforts and luxuries of living and the leisure time with which to enjoy them. Even before the invention of machinery, the use of hand tools, as well as specialization and division of labor and the interchange of products and services, had lessened the burdens of work and provided a greater variety of commodities than had existed in more primitive times. Modern methods of production, communication, and transportation have resulted in great increases in productivity; and it is this volume of increase, the methods by which it has been achieved, and, more especially, its effect upon labor conditions, with which this discussion is primarily concerned.

FACTORS AFFECTING PRODUCTIVITY

The technological developments which characterize modern industry have many facets. The most important, at least in the past, have been the mechanical inventions which have provided substitutes of numerous kinds of machinery for human and animal labor. More recent are the chemical discoveries and developments in metallurgy which have brought forth new materials and improved machines and tools. Accompanying these physical innovations has been the progress in education, both formal and informal, which has provided the psychological atmosphere and the knowledge and

skill of management and workers with which to adapt these technical inventions and discoveries to productive purposes, and to utilize them with increasing efficiency.

Mechanical Power

The foundation of all technical and mechanical advancement is mechanical power. It was the invention of the steam engine which ushered in the Industrial Revolution[1] and it is mechanical power which underlies our whole mass-production system of today. All modern industrial activity—mining, transportation, communication, manufacturing, and agriculture—is dependent upon mechanical power, and expansions in production have been due primarily to machines driven by natural energy.

The principal sources of mechanical power production are fuels and waterfalls. Steam generators and turbines, gas and gasoline engines, and water turbines convert the dormant power potentials of nature into energy, and electricity transmits this generated power to the machines where it is used. At the present time there are probably no less than 1½ billion horsepower of mechanical energy available each year in the United States. Translated into human power, this is equivalent to the physical labor of 15 billion men.[2] For manufacturing purposes alone, an average of more than 7 horsepower of power-driven machinery is used for each worker employed.

The result of the use of mechanical power on productivity is obvious: A worker can accomplish more with less physical effort on his part to the extent that he is aided by mechanical energy. Or, to state it in another way, the number of workers needed to do a given amount of work tends to be in inverse ratio to the amount of mechanical power utilized. Mechanical power, moreover, not only is a substitute for human and animal energy but also performs work which could never be done by men or animals. No con-

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[1] In 1769 James Watt invented an engine for pumping water out of coal mines which embodied nearly all the principles that were afterward perfected in the modern steam engine.

[2] This refers to horsepower available for all purposes—illumination, transportation, communication, agriculture, etc., as well as for industrial production. Since the summer of 1945 we have heard much about the possibility of atomic energy. Judging from past experience with most major discoveries and inventions, it will be twenty-five years at least before means for developing atomic energy for industrial purposes will be perfected and put into wide use.

ceivable number of men or horses could take the place of a modern freight locomotive or of some of the huge cranes which haul materials over deep canyons; the flying of airplanes, of course, would be impossible except for mechanical power. Without such means of transportation, production could not have expanded to the extent that it has; thus, the contribution made by mechanical power goes far beyond the output of the mechanically driven machines directly engaged in the manufacture of a product.

TABLE 5. Index of Supply of Energy from Mineral Fuels and Water Power in the United States, 1889–1949[3]

Year	Index (1918 = 100)
1889	20
1899	34
1904	48
1909	65
1913	82
1918	100
1919	86
Average:	
1920–1924	97
1925–1929	113
1930–1934	93
1935–1939	110
1940–1944	145
1945–1949	165

This country, with its rich deposits of coal and oil as well as water resources, has always had an ample supply of natural energy. The amount actually used has varied with the fluctuations of industrial needs rather than because of any limitation in the volume of the natural energy available. During the business prosperity of the 1940's the consumption was 50 percent more than during the preceding decade.

Machinery

Expansion in power resources provides the basis for improved productivity, but goods are actually produced by the use of

[3] Measured in Btu with water power at constant fuel equivalent. Adapted from annual data presented in *Minerals Yearbooks*.

power-driven machines and tools. Various tools and devices were used by man long before the invention of the steam engine; but the development of power facilities greatly stimulated inventions, and it is the power-driven machine which is the distinctive characteristic of modern production methods. Although the increase in the power supply has multiplied labor's capacity to produce, the invention of new kinds of machinery and equipment enhances the efficiency in the use of power as well as human labor, and both tend to raise the general level of productivity. As examples of the effect of improved devices upon power efficiency: During the past twenty-five years technological improvements on steam railroads have resulted in a 33 percent reduction in their coal consumption per mile of freight tonnage; improvements in coke manufacturing have resulted in coal savings of at least 20 percent; electric power plants consume 60 percent less coal per kilowatt-hour than they did twenty-five years ago. Such advances in the efficiency of using coal, although they do not affect labor productivity at the coal mines, nevertheless greatly influence general productivity because fewer miners are needed to keep the machines of industry running.

Even more remarkable than the improvements in the production and effective utilization of mechanical power is the continuous stream of new inventions of power-driven machines. In these few pages it is impossible and indeed unnecessary to discuss any particular inventions, even the more spectacular. Many of them are well known to everybody and one has only to glance at the advertisements in current periodicals to learn of the latest achievements in mechanical progress. Because of their effect upon labor productivity, it is pertinent for the present discussion to consider the inherent nature and the varied functions of power-driven machines and tools in general.

Essentially, machines and mechanical devices duplicate man's power to feel form, size, weight, temperature, and pressure. The recently developed photoelectric cell, radar, and televox not only are substitutes for the human eye and ear but they also produce action in response to what they see and hear. But machines and electrical devices do more than duplicate human (or animal) motion; they are able to make these motions at much greater speed and accuracy, and to perform them under circumstances and con-

ditions where it is impossible for man to labor. No human eye has such ability to see through fog and great distances as has radar.

Machines perform various functions. Many of them process and fabricate; some lift, haul, and otherwise move materials; others perform inspection, assembling, and packaging tasks. Some machines—for example, some of the machines used in the making of garments and shoes—are by no means automatic but require careful human manipulation. In contrast, the machines used for textile spinning and weaving, cigar and cigarette making, the making of glass bottles and blown ware, and brick manufacturing are highly automatic and perform practically the entire production process, relegating human labor to tenders, feeders, and inspectors. Automatic control machines and devices used in continuous-process industries go still further by preparing the materials for processing and by packaging the finished product, in addition to the processing itself.

Chemical Developments

Advances in machinery and methods of manufacturing are dependent in large part upon new discoveries and new developments in chemistry and metallurgy. These sciences, which have to do with changes in the composition of matter, have produced improvements in the metals used in the machines themselves as well as new raw materials and semifinished materials used in the final processing of consumers' goods. Few raw materials can be utilized in their natural form, and in most cases a chemical change must take place before they are suitable for use. Chemical discoveries are constantly revealing new combinations of matter which make it possible to increase the speed and precision of machines and tools, and to eliminate or shorten processing operations.

Metallurgy has developed thousands of alloys for industrial use. Some have greater corrosive resistance than the natural metals, thus lessening replacements; this not only eliminates the labor directly required in the making of the replacements but also affects the amount of labor needed in metal mining. Some alloys improve the strength and reliability of machines, enabling them to withstand greater stresses and shocks with fewer interruptions for repairs and adjustments. Some have the advantage of being lighter in weight, thereby increasing the working capacity of the machine,

conveyer, or tool. A major discovery was that of high-speed tool steels which have greatly increased the usable cutting speeds of tools, with resulting efficiencies in all industries.

Metallurgical progress has made possible the elimination of many steps in the processing of metals. Power metallurgy, centrifugal casting, and continuous casting are methods for producing finished or nearly finished products from metal without the necessity for many intermediate steps. Continuous processes for making iron castings and brass sheets from the molten metals, and steel sheets from the ingots, eliminate many reheating processes and handling operations. Improved induction heating reduces the time required for hardening metals from ten or more hours to a few moments. The substitution of electric welding for riveting is one of the most striking illustrations of a change in process; it affects many important industries such as aircraft manufacture, shipbuilding, machinery production, and structural steel fabrication of all kinds.

Outside of the metals, chemistry has developed a number of new products which have had marked effects on productivity. Various plastics furnish a new structural material which comes from the mold in the shape and color desired, thus eliminating the necessity for finishing cuts, polishing and grinding, lacquering or painting. The development of high octane gasoline, among other advantages, makes possible higher engine-power output, and improved lubricating oils facilitate machine operations. The chemical treatment of railroad ties has more than doubled their length of life and thereby reduced the labor connected with the cutting and laying of ties and the maintenance of roadbeds. Well known to everyone are such synthetic materials as rayon and nylon which have resulted in spectacular developments in productivity in the manufacture of fabrics and fabric products.

NONMECHANICAL FACTORS AFFECTING PRODUCTIVITY

When comparing the output per worker employed in industry today with that of earlier periods, one naturally thinks first of the great improvements and expanded use of machinery. As important as mechanization has been, there are also many nonmechanical

factors which have contributed to increased productivity. Some of these are of a general nature, having to do with the economic or industrial situation as a whole; others concern operations within individual plants. Some are the result of management's effort and direction; others have resulted from the quality and type of effort expended by the workers.

Specialization

Although closely related to machine utilization, the division and specialization of labor, in the absence of machinery, have a tendency to increase productivity. Division of labor is achieved at two different levels: first, from industrial specialization within a country or geographical area, and second, as a result of dividing a complicated process in a plant into numerous operations, each of which is assigned to a different worker or group of workers.

The total per capita production of a nation or geographical area tends to increase when all or most of the productive processes are directed into those channels which allow the maximum utilization of the country's peculiar natural and human resources. For example, our New England states greatly expanded their per capita production when agriculture assumed a minor role as a means of employment, and industries were developed which took advantage of the waterfalls and seaport facilities. The resulting increase in production was due not only to the direct contributions of the natural resources, but also to the development of special skills in workers and management as a consequence of industrial specialization.

Within a given industry or plant, the potentials of work specialization are advanced further as all-round jobs are subdivided into numerous operations, because greater speed is possible and much waste motion is eliminated when operations are simplified and routinized. Also, since the simplified operations require a shorter time to learn, there is a reduction in the time lost as a result of labor turnover and the training of new workers. While the invention of new machines usually is the initiating force for the division of labor, the reverse is also true, namely, the breaking down of complex skilled jobs into numerous simple operations facilitates and encourages the substitution of machines for hand labor.

Standardization and Substitutions

Standardization of parts and finished products has been an important factor in advancing the per capita volume of production, chiefly because standardization makes possible mass production and mechanized methods. To cite a few of the numerous examples: In consumers' goods one has only to compare the productive possibilities of ready-to-wear clothing factories with custom-made tailor shops, or the labor saving involved in the making of standardized windows, bath and kitchen units in mill shops in contrast to individual construction at the building site. Standardization in producers' goods, such as machine parts and the size and content of materials, has contributed to greater productivity, not only because it permits mass production of these parts and materials, but also because it makes possible mass production in their further processing. A further advantage of standardized machine parts is their interchangeability which facilitates repairs and thus reduces lost time due to machine breakdowns.[4]

Substitution of one process or product for another, and the combination of processes, have greatly enhanced output in relation to the number of workers required. Pipe lines for transporting petroleum require less labor than do tankers and trucks; the integration of the blast furnace and steelmaking plants virtually eliminates the casting process; the fabrication of paper products at the site of pulp and paper mills, and of wood products at sawmills, eliminates much handling and transportation. One reason for the great productivity in the aluminum and steel industries during the recent war was the relative increase in the production of aluminum sheets, heavy steel plates, and other products which require fewer man-hours per pound of aluminum or ton of steel than is required for making smaller miscellaneous products. Agriculture provides many illustrations of improved production as the result of using superior plant varieties which have greater resist-

[4] In 1948 this country and Great Britain entered into an international agreement to standardize their bolts and nuts. Although this agreement was primarily to facilitate standardization of weapons, aircraft parts, etc., for military purposes, it marks the consummation of an objective which industrial users of the two countries have sought for half a century. The ultimate savings are estimated in the millions of dollars.

ance to disease, cover crops, and crop rotation—changes which do not necessarily involve the use of different or better machinery.

Plant Utilization

Productivity is also affected by the volume of production or ratio of output to plant capacity. A decline in production tends to increase the overhead and in other ways to add to the amount of labor required per unit of output, whereas the maximum use of facilities, by spreading maintenance and other overhead labor over a larger output, tends to increase per capita production. A study of the steel industry several years ago revealed a change in man-hours ranging from 34 hours per ton of steel at 55 to 60 percent of the total capacity, to 47 hours per ton at 20 to 25 per cent of capacity. The 13 percent increase in man-hour output in the generation of electric energy between 1939 and 1942 was largely due to more complete utilization of power-plant capacity because little or no additional labor is required when the load increases. The 40 percent increase in revenue traffic per man-hour on steam railroads during the same war years was largely the result of the fuller loading of freight and passenger cars and the more continuous operation of trains.

Plant Improvement

So far as an entire industry is concerned, a rise in productivity may be achieved through the elimination of less inefficient plants even without any improvement in the productivity of the remaining plants. As an example, in leather manufacturing there have been no major changes in the machinery used during the last two decades, but productivity has increased at least one-third. Much of this is attributable to the closing down of many small plants and the concentration of production in fewer, larger plants where greater economies in the use of men and equipment are possible. In a competitive industry this process of closing down the less efficient plants is continually taking place, but it is greatly accentuated during periods of business depression when maximum efficiency is necessary if a firm is to remain in business. Census figures indicate that in spite of the great expansion in manufacturing there has been a steady decline in the total number of establishments in this country. In 1939 there were 30,000 fewer plants pro-

ducing goods valued at more than $5000 than there were in 1919. Closely allied to the shift toward larger, newer plants are the improvements in factory construction, the newer buildings being especially designed to accommodate the most modern machines and methods of production. The better lighting, heating, ventilation, and sanitation, the reduction of noise, and the scientifically adjusted seats, work benches, and tool arrangements provided in the newer plants have had an immeasurable influence upon productivity. Not only do they improve worker morale and thus indirectly lead to greater output, but they are also direct aids to efficiency because they tend to reduce fatigue and absenteeism, as well as damages to materials and machinery.

Management Efficiency

All the above-mentioned mechanical and nonmechanical improvements and changes have been brought about by human effort and imagination. But they also involve physical and natural resources and represent man's better control and use of material equipment. To a considerable degree improvement in productivity is also the result of the exercise of human ingenuity and effort in ways which involve few if any physical aids. Such improvements in management and worker efficiency are especially significant because they represent net gains; unlike physical innovations they involve no large capital or money outlay.

During the past two or three decades there have been notable changes in management methods throughout most of American industry. The so-called "rationalization" of industry has made the function of management a distinct profession, as is attested by the recognition given it by engineering and business administration schools in our leading universities, and by the growth of numerous management consulting and industrial engineering firms whose function is to provide employers with technical advice and assistance for the improvement of their management policies and procedures.

The development of industrial management lagged behind other technological innovations. As one observer has commented about the management methods fifty years ago:

> American industrial management had not awakened in the 19th century to the possible benefits which might accrue to it from radically

improved shop methods. Large plants were still using the same methods of management within the shop as had obtained in earlier decades. Internal management had not improved *pari passu* with the growth of the industrial unit. Business executives were absorbed in problems of markets and prices rather than of internal management. As a class they were not alert to discover new ways of handling materials, laying out plants, using scientific research, and increasing labor efficiency . . . Management was not adequately systematized. Decentralized purchasing and storage with frequent overstock or understock of raw materials, accounting systems which were little more than a statement of profits and loss at the close of the year, and an absence of definite written instructions to executives and workmen, were the practices of the day. Establishments had grown larger, machinery more complex and intricate, jobs subdivided and often delicately interrelated, but the type of internal organization remained the same. Each foreman and executive was the supreme authority over all the processes and men within his jurisdiction. It remained for an entirely different group of men to find the causes and remedies for the wastefulness and inefficiency within industrial establishments. Engineers discovered the almost unlimited possibilities of improving internal shop management.[5]

Management covers a wide range of techniques having to do with all aspects of running a business, including the financing, buying of raw materials, and selling of finished products, as well as the internal handling of materials and personnel, plant layout, and job methods. Each of these activities vitally affects the productive potential of the business. Present-day changes in management methods and policies have occurred in response to the problems and complexities of mass production. Essentially, they serve to retain or reëstablish within large enterprises some of the inherent merits of owner-operated small business and at the same time to obtain the maximum advantages from large-scale production.

Without going into the broad purposes or the detailed techniques of industrial management, it is sufficient here merely to

[5] D. D. Lescohier, *History of Labor in the U. S.*, The Macmillan Company New York, 1935, vol. iii, p. 303. According to this same volume, the New York Public Library had no American titles on management prior to 1881 and in the following twenty years they had only 27. Between 1900 and 1910, however, they had 240, with a rapid increase thereafter. Although there were several engineering schools in this country before the Civil War, schools interested in management came later. The Wharton School of Finance was established in 1881; the Harvard School of Business, in 1908.

mention a few of the ways in which management efficiencies have affected labor productivity. Among these are synchronization in the purchasing and flow of materials to be used, which has reduced congestions and delays; the timing of sales and advertising programs, and other means for regularizing work and reducing seasonal fluctuations which result in increased per capita annual production; improved layout of machines, and careful planning and routing of work through the plant to reduce delays and wasted time; personnel procedures, which see that the right person is placed in the right job and given adequate training for the job, thereby improving individual efficiency.

A spectacular achievement of industrial engineering has been the assembly line. While this depends upon mechanical conveyers and belts, it is essentially a management device rather than a scientific invention. Systems of continuous flow of production were introduced in the automobile and meat-packing industries in the 1920's and are now in extensive use throughout many industries. Instead of having materials and parts carried or hauled to the various machines and work benches, workers are stationed alongside of belts or conveyer lines and each man performs a specialized task as the work passes by him. There is thus a steady flow of work, with great savings in time and labor previously consumed in crisscross delivery of materials and parts to individual operators. In some industries, the efficiencies resulting from the introduction of conveyer assembly lines have equaled or exceeded those of any other recent improvement.

One of the cornerstones of scientific management, namely, the establishment of job standards and incentive wages based on time and motion study, has resulted in increases in productivity ranging from 20 percent in some plants to over 100 percent in others.[6] Not so apparent, but nevertheless important, are the effects on output of other conditions of employment such as hour schedules sufficiently short to avoid fatigue, rest periods and hot-lunch facilities, safety and health programs, and harmonious management-labor relations—matters which will be discussed in detail in later chapters.

[6] See chap. 13.

Worker Efficiency

Many of the improvements installed by management have resulted from the suggestions and creative thinking of the workers. Whether initiated by management or workers, their successful operation depends upon the intelligent coöperation of the men and women who perform the tasks. New management arrangements and devices are useless if the workers are reluctant or incompetent to make the necessary adjustments or meet the new standards of workmanship. No small part of the progress made by business in America has been due to the fact that workers generally have benefited from public-school education. Few of the recent innovations could have been imposed upon an illiterate work force, and many of them require the special skills and aptitudes acquired in vocational and high schools.

Workers' contribution to industrial efficiency, however, involves much more than the ability of individual workers to apply the necessary skills. It is contingent upon their willingness to coöperate —as individuals and as groups—and this involves the complex problem of how improved efficiency can be reconciled to workers' major concern for job security. This is a major issue in management-labor relations today, as will be seen in discussions in later chapters.

CHANGES IN PRODUCTIVITY

As indicated earlier, there are various ways in which productivity can be measured. For any particular time and industry, productivity can be indicated in terms of volume produced per unit of labor, e.g., four pairs of shoes per man-day employment. What is usually wanted, however, is a comparison of one year's productivity with that of another period. For this purpose, productivity can best be measured by means of index numbers which show the relative increase or decrease with reference to some base period. (See Fig. 11.)

The index numbers can refer to output either per worker employed or per unit of work time. The most precise method for measuring changes in efficiency is to use a brief unit of time, such as man-hours, because this excludes such variable factors as in-

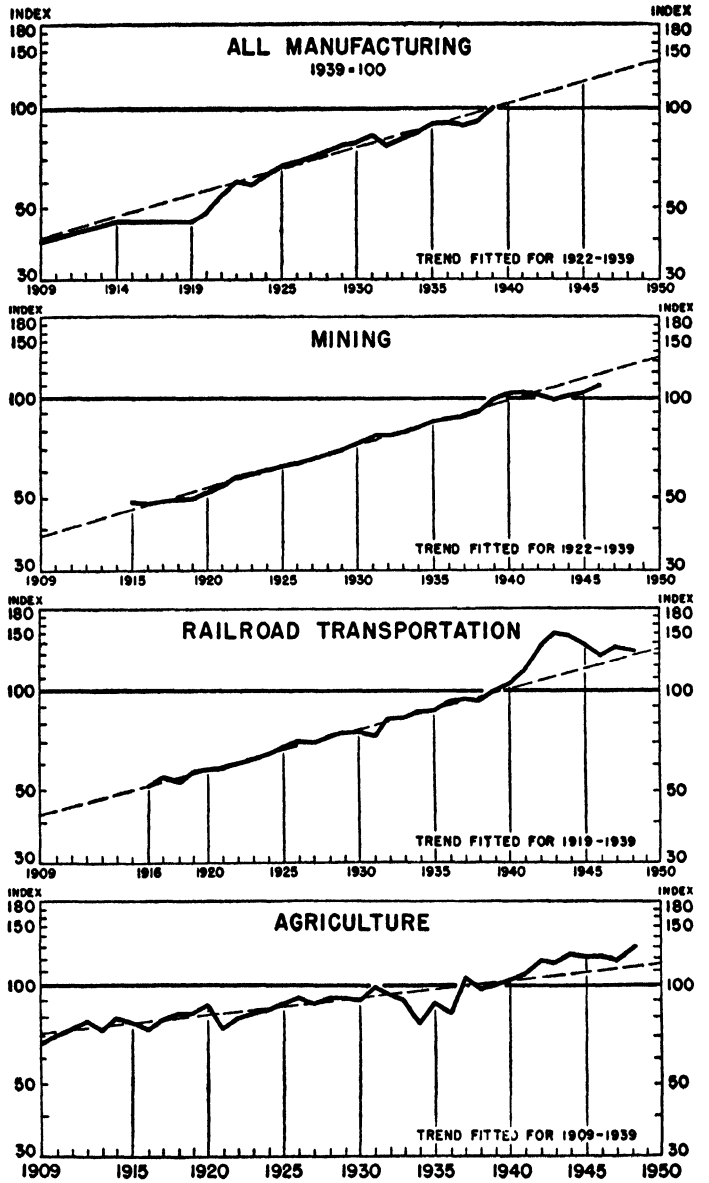

FIG. 11. *Trends in Productivity Since 1909. Output per man-hour in manufacturing, mining, and railroad transportation; output per worker in agriculture. (Based on U. S. Bureau of Labor Statistics data.)*

creases or decreases in working hours. Thus longer hours and steadier work might cause a rise in a productivity index based on the number of persons employed, even though there was no improvement in efficiency; likewise, shorter hours or irregular employment might lower an index based on man-years, even though the man-hour output had improved. In some situations, as in agriculture, it is necessary to measure productivity in terms of workers rather than time worked, because there are no records of the actual hours worked by farmers and farm laborers.

General Trend in Productivity

Since the beginning of the 20th century there has been an average annual rate of increase in productivity of 2 percent for all industry and 3 percent in manufacturing. During the thirty years before World War II, output in manufacturing increased 164 percent per man-hour; bituminous coal mining 103 percent; anthracite mining 111 percent; railroad transportation 98 percent; and in agriculture the output per worker employed increased 50 percent. During the war period most war industries made striking gains in productivity as mass production methods were adopted, but most of the industries producing civilian goods showed no increases or losses in output per man-hour.

The President's Council of Economic Advisers suggests that the average productivity for the whole economy should increase somewhat more than 2½ percent a year over the next few years.[7] Other economists believe that the increase may easily be 3 percent, or possibly 3.5 percent or more, as a result of expanding research and capital investment per workers.[8]

Variations in Trends

The introduction of machinery and improvements in efficiency is a never-ending process which at times is accelerated by favor-

[7] *The Economic Report of the President* transmitted to the Congress, January, 1949.

[8] Professor Sumner H. Slichter, "Less Spending, Threat to Stability" in the *Commercial and Financial Chronicle,* April 14, 1949. Professor Slichter states that if the future growth in productivity were around 3 percent, and a high level of employment is maintained, the per capita income by 1980 (in terms of 1949 dollars) would be about $12,750 for a family of three, which he regards as a "reasonable target for the economy and well within the range of practical achievement. . . ."

able conditions and at other times retarded, but is always progressing at innumerable points throughout industry. One major invention may revolutionize manufacturing methods and double the productivity of an industry within a very few years, but subsequent to the general introduction of this machine there may be only slight changes in productivity for a considerable period of time. Comparative differences in productivity among the several industries during any short period of time, therefore, do not necessarily indicate the long-time comparative trend.

This is revealed in Tables 6 and 7, which show the percentage

TABLE 6. Trend in Labor Productivity, 1909–1939[9]

	Indexes (1923–1925 = 100)						Percent Increases	
	1909	1919	1923	1929	1932	1939	1919–1929	1929–1939
Manufacturing	62.3	71.9	94.1	124.1	129.6	164.2	72.6	32.3
Bituminous coal mining	69.5	85.1	99.2	107.2	115.0	141.0	26.0	31.5
Anthracite mining	84.8	100.0	103.5	99.8	119.0	178.6	0.0	79.0
Steam railroads	75.4	85.4	96.4	113.9	111.9	149.3	33.4	31.1
Agriculture	78.3	96.1	96.6	108.0	110.2	118.1	12.4	9.4

increases in productivity during a period of two decades for a number of industries. In all the major lines of activity except coal mining there were greater advances in productivity during the 1920's than during the 1930's. The lesser rate of progress during the latter period was largely due to depressed business conditions, many new discoveries and replacements of old equipment being held in abeyance. However, in spite of general business conditions, output per man-hour increased about one-third in manufacturing and on steam railroads, and output on farms increased almost one-tenth per person employed. The great improvement in mining productivity was due not only to increased mechanization but also to the closing of many "marginal" mines, especially in the anthracite fields.

Among the various manufacturing industries the differences in rates of increase in productivity during various periods are very

[9] Based on data appearing in *Monthly Labor Review*, September, 1940, p. 520, and March, 1944, p. 515.

TABLE 7. Increases in Man-Hour Output, 1919–1939, in Various Manufacturing Industries[10]

	Percent Increase	
	1919–1929	1929–1939
Agricultural implements	75.4	53.2
Automobiles and parts	134.2	18.8
Canning and preserving	27.6	45.6
Cotton goods	17.6	46.1
Flour and other grain milling	55.5	15.0
Furniture	37.6	6.3
Glass—flat and blown	68.6	81.7
Paper and pulp	65.6	34.3
Petroleum refining	102.4	93.4
Rubber tires and tubes	115.1	98.1
Slaughtering and meat packing	34.6	26.4
Woolen and worsted goods	12.5	41.3
Cigars	22.9	81.0
Cigarettes	223.6	26.9
Iron and steel	96.1	36.9
Printing and publishing	76.7	29.3

marked. In automobile manufacturing, productivity increased 134 percent during the 1920's, in contrast to less than 19 percent during the 1930's. Petroleum refining and tire manufacturing, on the other hand, made almost as great advances during the 1930's as in the preceding decade, and the rate of progress in cotton and woolen goods manufacturing and in canning and preserving was greater during the later period. A striking contrast is seen in cigar and cigarette manufacturing. Fully integrated machines for the manufacture and packaging of cigarettes were installed throughout the industry during the 1920's; the result was a 224 percent increase in man-hour output. Machine-made cigars, on the other hand, did not become general until the 1930's, when productivity advanced 81 percent.

A more recent example of a phenomenal rise in productivity is seen in airframe manufacturing, where technological improvements, which would normally be spread over ten or twenty years, were telescoped into a little over one year. During the three years after Pearl Harbor the output per man-hour in airframe plants

[10] Based on Bureau of Labor Statistics, *Productivity and Unit Labor Costs in Selected Manufacturing Industries*, February, 1942, multilithed report.

more than tripled, and most of this increase took place in 1943. Inasmuch as this increase was achieved when most of the workers were completely inexperienced, the phenomenal gain was due almost entirely to efficiencies resulting from the large-scale mass production of standard products, line production methods, highly specialized machinery and tools, and minute division of labor—a sum total of factors which represent the epitome of modern technology and illustrate the potential possibilities of an industry faced with a large assured market for standard products and unlimited capital to invest in new plant equipment.

PRODUCTIVITY AND EMPLOYMENT

Inventions and other technological advances have brought munificent benefits to mankind and made possible a high standard of living for all peoples. Luxuries previously limited to a few are now enjoyed by many; goods and services unknown fifty or a hundred years ago to either rich or poor have come into general use. A host of commodities which we eat and wear, conveniences in the home, methods of travel and communication, and various forms of entertainment would be nonexistent for all, or at least most people, were it not for mechanical inventions and scientific discoveries.

Granted that technological advances and other improvements in production have brought advantages to the general public and thus to workers who make up the large portion of the general public, what effect have they had upon the employment of the men and women who are directly engaged in the production processes? Any such revolutionary changes as have taken place and are currently taking place with accelerating speed in industry are bound to have manifold repercussions, good and bad, with advantages accruing to some groups and misfortune to others.

New Employment Opportunities

Inventions have resulted in the creation of many new industries and many more new kinds of jobs. Some of our major industries which now employ millions of workers were unknown a generation or two ago. The automobile, aircraft, electrical products, rayon and nylon, motion picture, telephone, plastics, rubber tire, and radio manufacturing industries are distinctly 20th-century indus-

tries. The machine-producing and power-generating industries are synchronous developments of the inventive progress made in other industries, new and old, as are also most of the steel and nonferrous metal industries which supply the materials and parts for the machines and power generators.

More than half the workers employed in manufacturing today are employed in these relatively new industries which are the direct offspring of modern technology. These industries, in turn, have created other lines of activities which engage additional hundreds of thousands of workers. Automobile mechanics, radio and other electrical repairmen and salesmen, filling-station attendants, truck drivers and pilots, telephone operators, radio technicians and entertainers occupy new types of employment which are outgrowths of inventions for the manufacture of new products. The indirect effects of inventions in the producing of new products go still further. Much of the highway and bridge construction undertaken in recent years has been in direct response to the general use of automobiles; airports are a concomitant phase of aircraft manufacture; many new factories have been built to house new or expanded industries created by improvements in manufacturing methods.

Changing Character of Jobs

Simultaneous with the creation of new industries and employment opportunities, inventions and their accompanying technological developments have caused drastic changes in the general character of jobs and job environments in both old and new industries. As already mentioned, power-driven machines have relieved men (and women) of much of the heavy work which formerly had to be done by hard physical labor. Concurrently with the elimination of a great deal of monotonous drudgery, however, technology has also caused the disappearance of many skilled handicrafts and the division of numbers of all-round manual jobs into numerous routine, repetitive operations.

The psychological effect on workers of the dilution of skilled jobs and the centralization of work in large factories and mills has been pungently described by one observer: "The modern machine tender is an unhappy creature. He does not feel himself a whole man. His daily, monotonous, repetitive motions have broken

down his skills. He cannot make an entire shoe nor a suit of clothes. He is caught in the vise of mass production, division of labor, atomization of skill. He is a human cog, tied to a machine he does not own and which he can only operate when somebody else gives him permission."[11]

Although the above aptly describes the condition of millions of workers now employed in large mechanized plants, there are some offsetting factors in the dominant trend toward diminution of skilled manual jobs formerly performed by self-employed artisans or in small owner-operated shops. The highly complicated machines themselves must be designed and built; improvements and attachments must be constantly made to adapt them to particular purposes; after being installed, intricate machinery requires maintenance and frequent repairs; large establishments demand the scientific layout of equipment; the routing of work and the direction of the work of men and machines require special types of supervision.

Mechanical engineers and draftsmen, maintenance workers, industrial engineers, clerks, laboratory technicians, and numerous other persons with special skills and aptitudes are necessary adjuncts to mass production and make up an increasing proportion of our total industrial employment. These types of work offer substitute means of employment for many persons who otherwise would be performing manual labor. Many parents who work on routine jobs in factories have been able to send their children to engineering or vocational schools to prepare themselves for the technical and other white-collar jobs required by modern methods of production.

Labor Displacement

Technological advances must also be considered in connection with their effect upon employment. The labor-saving possibilities of a new machine are one of the first considerations of a business manager, who naturally weighs the cost of the machine against estimated pay-roll savings before making the purchase. The workers who are immediately affected by the installation of a new machine naturally blame the machine for the loss of their jobs.

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[11] Louis Stark, New York *Times Magazine*, September 30, 1945.

Directly and indirectly, technological advances are the cause of the disappearance of many occupations and the displacement of many individuals and groups of workers. So far as these particular persons are concerned, technology has resulted in loss of jobs and more or less extended periods of unemployment. New methods not only may mean the displacement of a particular group of workers in a particular locality, but they may result in the employment of an entirely different type of person. When machines were introduced in the manufacture of cigars, not only was there a shift in the location of many plants and a decrease in the total number employed in the industry, but an entirely different type of work force was used—men skilled in rolling cigars by hand were displaced by new, unskilled workers, predominantly women. Similar displacements have taken place in many other industries and occupations, although in some—for example, the printing industry—the unions have been sufficiently strong in a majority of plants to insist upon the retention of their journeymen members and their transfer to machines as these were introduced.

Inventions have also resulted in expanded markets, increased volume of production, and the creation of new industries and occupations. Do technological improvements, therefore, merely cause job shifts and temporary dislocations of particular individuals? Or do machines and other substitutes for manual labor cause permanent reductions in the total number of available jobs and a lowering of the general level of employment?

This is the major problem facing all modern industrial societies, and to solve it many theories and explanations have been offered. They involve a complex of factors having to do with wages, hours, prices, and many other aspects of the economy—subjects which are discussed in the following chapters.

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CHAPTER 5

UNEMPLOYMENT

IN A SOCIETY WHERE FOOD, CLOTHING, AND SHELTER CAN BE HAD only for money, one might well say, as Shakespeare said 350 years ago, "You take my house when you do take the prop that doth sustain my house; you take my life when you do take the means whereby I live."[1]

Insecurity of job tenure is the lot of most American workers. Few indeed are the families of wage earners whose memories do not include the specter of serious privations caused by one or more prolonged periods of unemployment, and the inconveniences of many more shorter periods of loss of income because of temporary layoffs. Physical privations are not the sole effects of forced idleness.

(Unsteady employment attacks the worker's efficiency, undermines his physique, deadens his mind, weakens his ambition, destroys his capacity for continuous, sustained endeavor; induces a liking for idleness and self-indulgence; saps self-respect and the sense of responsibility; impairs technical skill; weakens nerve and will power; creates a tendency to blame others for his failures; saps his courage; prevents thrift and hope of family advancement; destroys a workman's feeling that he is taking good care of his family . . . Irregularity of income prevents intelligent expenditure of the income, encourages improvidence and prevents planning of purchasing.) It leads almost inevitably to extravagance when earnings are good and debts when work is slack . . . The nervous reactions to such demoralizing influences are so powerful as to transform many strong-willed, well-intentioned workmen into the irregular material that overfills the army of casual labor or even into the will-less, hopeless, indifferent objects called the unemployable.[2]

The above describes the psychological effects of unemployment upon the mature workman with a family. As we shall see later,

[1] *Merchant of Venice,* Act IV, Scene 1.

[2] D. D. Lescohier, *The Labor Market,* The Macmillan Company, New York, 1919, pp. 106–108.

during a period of serious unemployment it is the young people just out of school who frequently find it most difficult to get jobs. Only the young person who has gone through the experience can appreciate what it means to have left school filled with high hopes and ambitions to make a place in the world, only to discover that he is not needed or wanted. Many of the young men who left school during the recent war were not particularly enthusiastic about having their normal careers interrupted by several years' military service, but they had the deep satisfaction of knowing that their country needed them. Thousands of their older brothers, who left school in the early 1930's, belonged to the "lost generation" who spent months and years tramping the streets and highways vainly searching for opportunities to be of service to themselves and their country.

The vicious effects of irregular employment and fear of unemployment upon workers, their wives and children, have long been appreciated by social workers, public-school teachers, and others who have intimate contact with workingmen's families, as well as by the workers themselves. The dangers to social and political stability of mass unemployment with millions of jobless citizens have become apparent to all who have lived through the world-shaking events of the past generation. Mussolini won support through his program for taking the beggars off the streets and putting them to work; no small factor in the growth of Nazism was Hitler's appeal to the millions of unemployed German youth that the "new order" would provide jobs for all—a promise he fulfilled by expanding the armaments industries in preparation for war. Idle, restless peoples are likely to respond to any kind of leadership or ideology which promises them immediate relief from the physical hardships and mental apathy of joblessness, for it is a truism that today's hunger and distress are more compelling motives than possible future disasters.

The impact of unemployment is not limited to the hardships suffered by the unemployed themselves or even to the incipient dangers to general social stability. It represents colossal economic waste and requires billions of dollars in outlay by taxpayers. The direct expenditures from tax funds for unemployment relief will be discussed in the next chapter, but indirect economic losses amount to much more than outlays to care for the worst victims

of unemployment. During the 1930's depression while millions were totally unemployed, and other millions were partially employed, the sum total of the idleness and reduced business activity was reflected in the national income. The lowest estimates of the total loss in national income y ;s placed at more than 165 billions of dollars. In terms of econonlic and social values this was equivalent, at prices then prevailing, to the cost of 30 million new homes

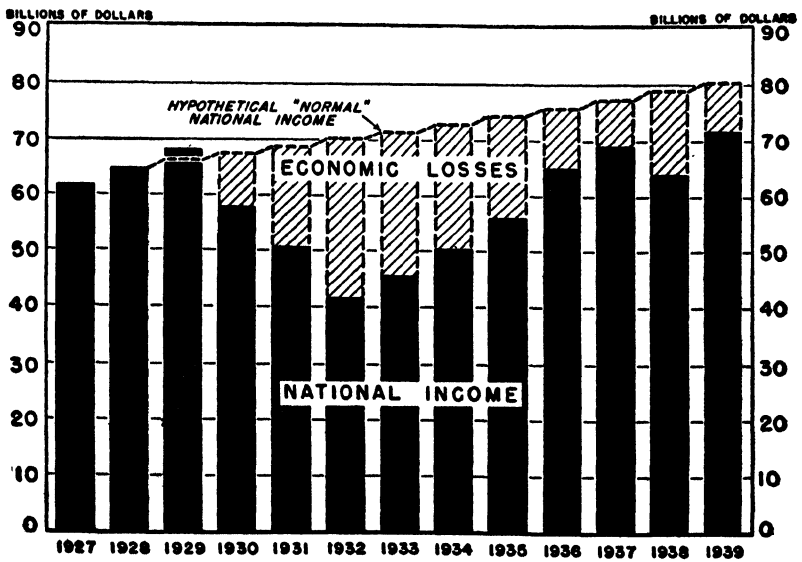

FIG. 12. *Losses in National Income During the 1930's Depression.* (*Source:* Social Security Bulletin, *vol. viii, no. 12.*)

—more than enough to have eliminated all the urban and rural slums, or the construction of a million new schools and other public buildings, or more than a hundred conservation and power projects similar to the TVA.

NATURE OF UNEMPLOYMENT

If unemployment is recognized as the outstanding curse of our economic and social life, why is it allowed to continue? As with most evils, its destructive and costly effects are recognized more

easily than its causes can be eliminated. Unemployment is a result of many complex factors, and any one individual's joblessness may represent the concurrence of many different causes. Some may be due to the individual's personal characteristics, but most are the result of pathological economic and social conditions. Fundamentally, unemployment represents a maladjustment of labor supply and labor demand. The potential supply of labor, at least in the mass, changes only with the steady, slow change in population. The demand for labor, on the other hand, fluctuates from year to year, from season to season, and even from day to day. Because these fluctuations do not take place simultaneously throughout all industry, there is always a residual labor supply, even in the most prosperous years and boom seasons. When general business conditions become depressed, these pools of surplus labor increase in number and size until mass unemployment emerges. In good times as well as bad, however, there is considerable unemployment and there is some evidence that the core of unemployment is increasing despite the fact that it virtually disappears during inflationary periods.

nemployed Versus Unemployable

Unemployment may be voluntary as well as involuntary. Even though involuntary, it may result from personal deficiencies rather than from the absence of job opportunities. There are people who do not want to work steadily and who welcome periods of unemployment between jobs. There are others who want regular employment but because of lack of training or physical or mental handicaps are "marginal" workers whom employers are willing to hire only when they cannot obtain better-qualified workers. Sickness is a direct and indirect cause of a considerable amount of unemployment.

Idleness for all these reasons can be classified as nonindustrial, the persons involved being unemployable rather than unemployed. However, the line of demarcation is not rigid, and to a considerable degree it varies with the demand for labor and the kinds of job opportunities available. A casual worker or floater may settle down to steady work if he finds a job which interests him and which pays what he considers is a good wage. An employer with many vacancies will hire handicapped persons whom he would not usu-

ally employ, and many times these people prove to be satisfactory employees after given a trial. Furthermore, as already indicated, mental and physical deficiencies, loss of desire for steady work, and lack of education and training may be due to the demoralization and lack of opportunity resulting from previous periods of unemployment. Many unemployables are casualties of unemployment rather than predestined shirkers or incompetents.

By legal implication and common parlance, involuntary or industrial unemployment includes those persons who are able and willing to work but are unable to find suitable employment.[3] In any given case, of course, there may be differences of opinion as to what constitutes "suitable" employment; some would eliminate the factor of suitability entirely, including in their definition of involuntary unemployment only those who could not get a job at any occupation, at any wage, anywhere. Theoretically, as discussed later, there may be some point to this concept of unemployment but in actual practice it is both infeasible and shortsighted. A jobless watch repairer with a home and family in New York City is for all practical purposes unemployed if the only available openings are for lumbermen on the west coast. Any adult wage earner must be considered unemployed even though he can pick up odd jobs at 20 or 25 cents an hour. Employment is a means of gaining a livelihood; and work which does not provide even the barest subsistence, or which destroys a person's skill or capacity for the future pursuit of his usual trade, cannot be considered economic employment, although it has sometimes been used as a test for unemployment relief.

TYPES OF UNEMPLOYMENT

Statistics on the total volume of unemployment are an important indicator of general economic conditions, but they do not show the full incidence of unemployment because many more workers suffer from unemployment than is revealed by the total annual figure, which is an average of monthly estimates. Although charts with fluctuating lines are a convenient means of portraying the changing number of employed and unemployed workers, the actual

[3] See chap. 30 for an interpretation of "suitability" under the unemployment compensation laws.

fluctuations in the employment status of individual workers are much more erratic, for the total number affected is not limited to the portion falling between the upper and lower extremities of the unemployment "curve." During any twelve-month period, regard-

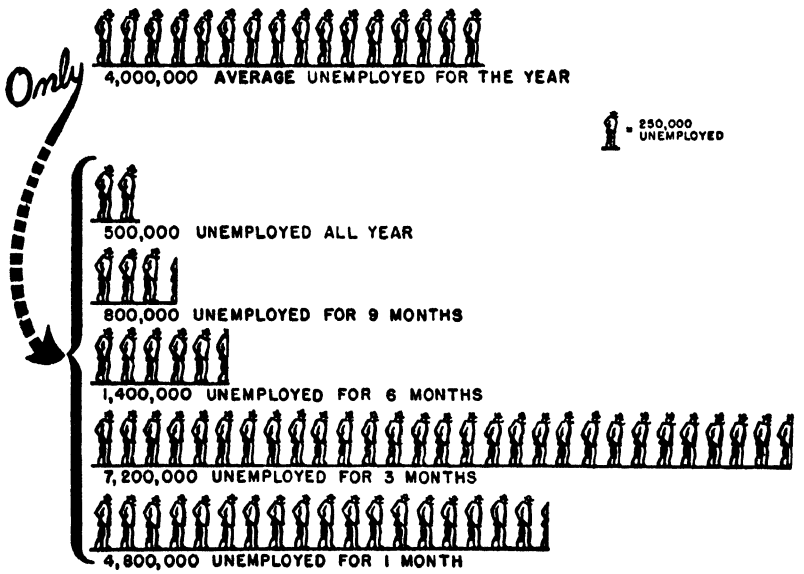

FIG. 13. *Average Annual Employment Versus Total Number Affected by Part-Time Employment.*

The illustration shows that if unemployment averages only 4,000,000 over the entire year, this could mean that more than 14,000,000 persons experienced unemployment. While 500,000 workers might be unemployed for an entire year, a much greater number might be out of work for shorter periods. For example, the 1,400,000 persons who were out of work for six months would add only 700,000 to the annual average of 4,000,000.

less of whether business conditions are good or bad, some workers lose jobs which they have had for a long time, and are out of work for varying periods before finding new jobs; some persons are employed on numerous short-time jobs, with days or weeks of unemployment between each job; many workers continue at their same workplaces but experience irregular or part-time employ-

ment; others are employed on jobs which last for only a season. During most years, a comparatively small proportion of workers are fully employed for the entire twelve months.

Irregular employment and underemployment are concomitants of a decentralized and fluctuating demand for labor. The labor demand is not one massive suction pump that draws labor into the stream of industry; it "consists of millions of specific, individual demands for specific types and qualities of labor to work in specified establishments for more or less definite periods of time. It is a composite of multitudinous individual demands emanating from individual concerns. Each demand for labor is individual as to employer, place, type of labor sought, and the duration of the work offered. The demand comes from every sort of employer in every sort of place for every sort of workman. It comes from governments, corporations, partnerships, and individual employers; from cities, towns, camps, and farms; from factories and mines; banks, stores, and offices; railroads and steamship lines; and from a host of small workshops, contractors, and personal service establishments. The demand at any one time is a demand for steady, seasonal, short-time, and casual workers; for mechanics, office help, skilled operatives, semiskilled, slightly skilled, and unskilled laborers."[4]

The unemployment resulting from such normal diversities of demand is not, however, the full measure of unemployment. Indeed, it represents the minimum which is present only when business is prosperous. When business conditions are only "fair," larger numbers of workers experience longer and more frequent intervals of unemployment, and some remain totally unemployed. When business conditions are severely depressed, millions of persons remain totally unemployed and a large majority of the others work only part time. It is this type of unemployment that is most disturbing, both to those who are directly affected and to those who are concerned with the national well-being. Its acuteness is due not only to the fact of its large volume, but also to the fact that its causes lie deep at the roots of our economic system and represent disequilibriums which are difficult to diagnose and far more difficult to correct. But let us first consider the nature and causes of the

[4] D. D. Lescohier, *The Labor Market*, p. 21.

unemployment that is not primarily due to general economic disturbances.

"Normal" Unemployment

So-called "normal" unemployment refers to the idleness which arises from the inherent irregular nature of some jobs and industries, or is the result of the voluntary turnover of workers, or is caused by shifts and changes in industrial operations which are unavoidable and in the long run may be desirable. It is the aggregate of a multitude of short periods of idleness resulting from numerous particular causes, each of which is peculiar to the individual situation in which it occurs. It is sometimes referred to as "frictional" or "structural," because in its totality it is considered a necessary force for the progressive development of industry and a natural result of free decisions and actions of individual employers and workers.

"Normal" unemployment is supposed to represent the *minimum* idleness that is required to keep a dynamic industrial system in operation. What the minimum is or should be is a matter of opinion and conjecture. During the peak of war production, unemployment amounted to about 1 percent of the total employable workers. However, a considerable number of persons beyond the age of retirement—as well as women, children, and others who normally do not want to work for wages—were employed during the war. Some economists are of the opinion that "normal" unemployment is equal to about 2 percent of the total work force; others maintain that it is necessary and inevitable that 5 or 6 percent, or even more, of the worker shall be idle at all times. The difference between the lower and higher estimates is equivalent to two or three millions of wage earners—a disparity which is of the utmost importance to the wage earners and families concerned, as well as to the social costs involved.

Employers are naturally inclined to think in terms of a relatively high figure for "normal" unemployment. They prefer a buyers' labor market which allows them wide latitude for the selection of new employees and serves as an indirect warning to their present employees that replacements can easily be made. "The American employer has been able to assume as a matter of course that there would be idle men at his gate this morning, tomorrow morn-

ing, every morning. He has accepted orders upon the security of that expectation. If the reserve at his place of business or in the immediate locality disappeared, he complained of a labor shortage. In his mind, consciously or unconsciously, was an idea that *he was entitled to have available at all times enough labor to man his plant* to maximum capacity, even though he did not run at maximum capacity thirty days in the year. He expected that those who did his hiring for him would be able to *select* from an assembled group the man best suited to do his work, and that laborers would compete with each other for the jobs he offered. . . ."[5]

Whatever the optimum volume of unemployment may be, there is little doubt that much could be done to improve some of the conditions that create idleness which some persons now consider unavoidable. This will become apparent as we discuss further the various types of unemployment and the means for its alleviation, the question of labor turnover, and the machinery for labor placement.

Unemployment Due to Changes in Business Organizations

Regardless of fluctuations in general business conditions, changes are always taking place within and among individual plants and companies which cause varying periods of unemployment to numbers of persons. Each year thousands of companies go bankrupt or for other reasons close their doors; other companies transfer some or all of their business from one plant to another in a different locality. Reorganizations and mergers are continually being made, most of which result in the layoff of sizable groups of workers.

To the workers who lose their jobs because of plant shutdowns, their unemployment is the antithesis of "normal," for many of them probably spent long years in these plants. Also, even though there may be openings in other plants, these workers may not be hired because of their age or lack of required skills. To them, the closing of the plant may mean prolonged and possibly permanent unemployment. By and large, however, much of the dislocation resulting from changes in business organization represents a healthy state of dynamic business operation; some of it is inevitable under

[5] *Ibid.*, p. 14.

a business system which is carried on by millions of different enterprises whose continued existence is affected not only by their ability to survive under competition and changes in consumer demands, but also by the death or retirement of their owners.

What, in terms of unemployment, is the irreducible price to pay for the risks and possible ultimate benefits of new business ventures, consolidations, and reorganizations, can be determined only by thorough knowledge of all the facts in each case.

Seasonal Unemployment

The term "normal" is likely to be misleading because it seems to imply a healthy condition, or at least one which it is impossible to improve. This is certainly not true with respect to all seasonal unemployment. In its strictest interpretation, seasonal unemployment is that which results from a change of seasons—spring, summer, fall, and winter. Some industries, however, operate on a seasonal basis because of long habit and inertia or as a result of artificially created seasonal changes in styles, and not because the inherent nature of the industry requires seasonal operation. As we shall see later, it is frequently possible to reduce, if not altogether eliminate, seasonal unemployment through changes in methods of production and marketing.

Weather or natural factors affect employment in four ways: (1) Most important, it determines the time for the growing and supplying of many raw products. Cotton and most food crops are raised in the summer; each crop has its own peculiar time for harvesting, and therefore for canning or otherwise processing. The season for fishing varies with the catch, but most fishing ceases with the freezing of the waters; the cutting of wool, slaughtering, and meat packing depend upon cattle and sheep raising. (2) The weather affects employment in most outdoor work. Lumbering in the north is best done in the winter before the spring rains and thaws; Great Lakes shipping ceases during the winter when the lakes are frozen. Building and road construction are greatly affected by the seasons and weather. (3) Changes in seasons affect consumers' demands. Different clothing is worn in the different seasons. Coal is needed for heating in the winter, whereas the demand for electric fans, screens, cold drinks, and vacation services increases in the summer. (4) Seasonality in the growing and pro-

curing of raw materials, in construction and other outdoor work, and in what people wear and use, affects the employment which is necessary for the transportation and packaging of these products. Railroad carloadings fluctuate with the needs for the hauling of wheat, cattle, and coal; the manufacture of tin cans and bottles is influenced by the seasonal operations of the canneries; building materials must be delivered at the time and place of construction.

Almost every industry is directly or indirectly affected by the exigencies of the seasons and weather, but the fluctuations they cause in employment vary in degree and in the months they take place. The seasons of maximum activity in some industries and occupations duplicate each other, in some they overlap, and in some they dovetail, either naturally or by conscious effort. Although the patterns of fluctuation vary, industrial employment in the total tends to be higher in the spring and fall, with some slump in the summer and a severer slump during the winter. For manufacturing as a whole, the seasonal variation in the number who are employed averages about 10 percent; for building construction at least 30 percent; for wholesale and retail trade somewhat less than 10 percent; for transportation and public utilities about 15 percent.

Irregular and Casual Employment

Not all irregular or underemployment is due to seasonal fluctuations. Throughout industry irregular employment occurs within the busy as well as the dull seasons. In an industry or plant where the number employed varies only 5 or 10 percent from season to season, the pay roll may fluctuate as much as 40 or 50 percent from day to day or week to week. Although the plant force is made up of *regular* employees, the income or take-home wages of these employees is very *irregular* because of part-time work.

In some occupations irregularity of employment shades off into casual work. Examples are longshoring, which is dependent upon the arrival and departure of ships, the services of the extra waiters and musicians hired for banquets, and much of the common labor hired by building contractors, farmers, and other employers to meet special needs and emergencies. Casual workers suffer the added inconvenience of frequent changes in employers and are thus deprived of the psychological benefits which come from the feeling

of belonging to a job and a particular group of fellow workers.

The irregular employment of "regular" employees stems from the practice of paying workers by the hour, day, or piece. Unlike office and supervisory personnel, production workers are usually dismissed whenever there is no work for them, in order to keep down labor costs. Lack of work may be the result of internal situations such as machine breakdowns, insufficient materials on hand, or uneven flow in the processing of the work. Frequently, it is due to the practice of working up orders as they are received from customers, without any sales program to promote continuity of orders, and with no provision for manufacturing for stock when there is a lull in orders. This condition is prevalent among small shoe plants and garment shops whose owners have limited cash reserves, and pay rolls must be met with current receipts from sales.

Irregularity in daily and weekly employment in many instances is due to the existence of pools of surplus labor and the practice of sharing the work among a larger force than is actually needed. This situation may develop as an aftermath of a declining industry or business, especially in one-industry communities such as New England textile mill towns and coal mining areas, where there is little opportunity to obtain other kinds of employment as the work tapers off in the declining industry. Under such circumstances, it is a matter of dividing the available work until death or retirement removes the labor no longer needed.

Surplus labor reserves may also be the result of company policy or mismanagement. For reasons of "discipline" a company may plan to have more workers on its pay roll than it can keep busy. More frequently, perhaps, the surplus labor is the consequence of departmental or noncentralized hiring practices which result in the various foremen retaining the maximum number of workers needed for the peak loads in each department. Instead of employees being transferred from one department to another as fluctuations occur in the flow of work, each department maintains a full crew with division of work and temporary layoffs during its slack periods. Such pools of labor reserves have been traditional in the steel industry, for example. During the comparatively stable production period in the 1920's, an average of 30,000 to 70,000 steelworkers were idle each month; this represented 7 to 15 percent

of the total number attached to the industry.[6] And these monthly figures do not reveal the unknown daily and weekly irregularities in employment. The practice of maintaining departmental pools of extra labor has been greatly reduced since the establishment of compulsory unemployment insurance.

Cyclical Unemployment

Irregular, seasonal, and occasional unemployment, which in the aggregate is called "normal" or "frictional," affects different groups of workers at different times and places. It occurs in normally prosperous years; and although the interruptions of income cause hardships to the particular workers and communities concerned, they create no widespread economic destruction. In some instances other workers and communities may even benefit from the losses suffered elsewhere, as for example, in the dislocations resulting from one business having captured the market from a competing business, or a new industry or product having supplanted another.

The unemployment that results from a cyclical business depression is an entirely different phenomenon in its far-reaching effects upon every class of persons throughout the nation. During a major depression like that of the 1930's the "farmers learned that it meant reduced markets, lower prices, and a multitude of sons and daughters coming home from the cities to be supported, often bringing families with them. The taxpayers found that it meant millions and then billions for relief. The sales of merchants and manufacturers dwindled until tens of thousands went into bankruptcy. Even larger numbers cashed their investments at ruinous figures and surrendered their life insurance trying to save their businesses. A multitude of concerns closed their doors. Landlords found business property, homes, and apartments vacated as tenants crowded into small quarters or left the community. Cities and counties by thousands reached the verge of bankruptcy, as both relief burdens and tax delinquencies rose. Debts which had not caused concern became an incubus. Wage earners by millions consumed their savings, lost their homes, reduced their standards of

[6] Carroll R. Daugherty, M. G. deChazeau, and S. S. Stratton, *The Economics of the Iron and Steel Industry*, McGraw-Hill Book Company, Inc., New York, 1937, p. 1125.

living, endured both physical and psychical misery. Thousands of farmers, professional people and businessmen found themselves in the same plight. Unemployment relief became the major nonmilitary public expenditure. The nation learned that unemployment, itself an effect of other causes, can crush a nation."[7]

Cyclical depressions, moreover, are not confined to a single nation but have an international sweep. Although their effects are most severe in highly industrialized countries, the majority of whose citizens live by making and spending money incomes, major business depressions reach every corner of the globe to a greater or lesser extent.[8] During the fifty-year period 1890–1940 there have been five periods of general and severe business dpression, and additional years when unemployment has been less severe but of considerable volume. Unemployment was acute throughout most of the 1890's and for a briefer period in 1907–1908. A severe and what would probably have been a prolonged period of unemployment began in 1913 but was terminated by a sudden pickup in business in response to war needs, first for Europe and then for this country. The postwar depression of 1920–1921 resulted in the idleness of more than one-fifth of all manufacturing and transportation employees and one-fourth of the building-trades workers.

So far as the number of persons and the duration of idleness are concerned, the most severe period of unemployment which this country has yet experienced began with the stock market crash in the fall of 1929. For more than three years the volume of unemployment grew steadily until, by the spring of 1933, it reached a peak of 12 to 14 millions. Following unprecedented action by the federal government, as explained in the next chapter, the amount of unemployment gradually declined to slightly less than 7 million. In the latter part of 1937, however, it again started to rise, reaching almost 10 million by the summer of 1939 before the outbreak

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[7] D. D. Lescohier, *History of Labor,* The Macmillan Company, New York, 1935, p. 114.

[8] W. C. Mitchell, *Business Cycles,* National Bureau of Economic Research, Inc., New York, 1927, pp. 424–450. The conspectus of business fluctuations in various countries between 1790 and 1925 given in Professor Mitchell's study shows the international impact of the depressions in 1815, 1825, 1837, the crisis of 1847 and the panic of 1857, the big depressions in the 1870's and 1890's, the panic in 1907, the depression in 1912–1913, and the post-war depression in 1920–1921.

of war in Europe caused an upturn in business activity in this country. (See Fig. 14.)

Should the unemployment during this entire ten-year period be classified as cyclical unemployment? If so, how long would it have been prolonged if there had been no war? Was half the maximum total—that is, the amount in excess of the low point in 1937 when

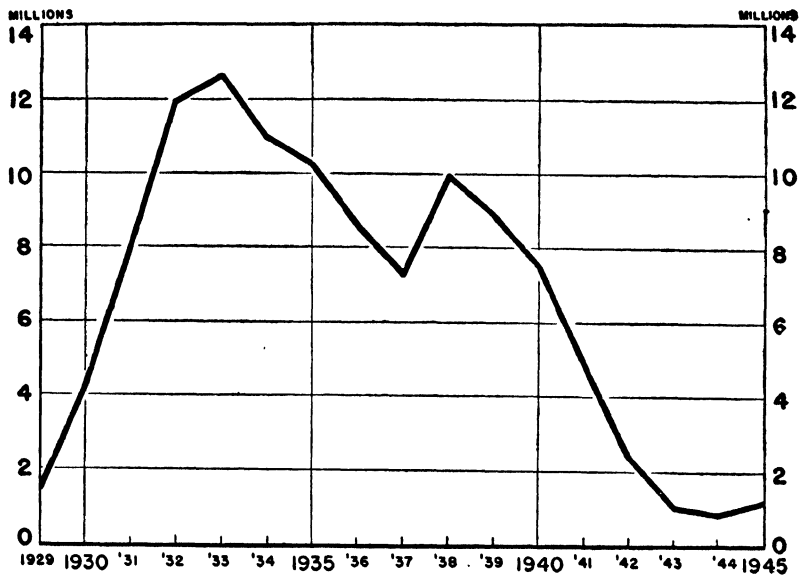

FIG. 14. *Average Annual Unemployment During the 1930's and the War Years. (Based on Table 9.)*

business had seemingly recovered—due to other factors? Several million unemployed could be attributed to the effects of seasonal irregularities and to layoffs due to other specific reasons. What of the remaining 4 or 5 million? Does this represent a continuing pool of unemployment, a growing residue of persons displaced by technological improvements?

Technological Unemployment

During the early years of the Industrial Revolution the workers who were displaced or were threatened with displacement by machinery frequently engaged in machine-breaking riots in a futile

attempt to save their jobs.[9] When cotton textile machines threatened to destroy their wool market, English sheep growers were instrumental in getting laws enacted to curb the manufacture of cotton goods. In more recent times there has been little display of violent opposition to the introduction of machinery, although improved technology has been the indirect cause of some of the strikes which have occurred recently. There is also no disposition at present to discourage technological progress by legal restrictions. Nevertheless, there is real concern over the effect of technology upon various kinds of employment opportunities and a great deal of discussion about whether or not it results in a permanent net reduction in the ratio of jobs to available workers.

These facts are true: (1) Machine production makes possible a higher standard of living for a larger national population than a handicraft and agricultural economy. (2) Technological changes which displace some workers and make some jobs obsolescent also create new kinds of jobs and employment opportunities. (3) Some inventions, e.g., radio and motion pictures, are more labor producing than labor saving since they create many new kinds of jobs and cause few displacements.

When considering the apparent paradoxes of the effect of technology upon employment, the following basic characteristics of technological progress must be borne in mind: (1) Until recently at least, technical improvements have involved ever-increasing amounts of capital investment per worker employed.[10] (2) The increase in fixed capital investment tends to enlarge the size of individual enterprises and to increase the concentration of produc-

[9] See J. L. and B. Hammond, *The Age of the Chartists, 1832–1854; The Skilled Laborer, 1760–1832; The Town Laborer,* all published by Longmans, Green & Co., London, in 1930, 1919, and 1917 respectively; also, G. D. H. Cole, *Chartist Portraits,* Macmillan & Co., Ltd., London, 1941.

[10] The amount of capital requirements per worker varies greatly among the various industries. The average for all industries has been estimated to be from $5000 to $7000 per worker.

Some economists contend that there is no evidence of a marked increase in capital investment *per unit of output* during the past twenty years, and that the efficiency of some machines has been improved without increases in capital investment. This does not necessarily mean that there is not an increase in investment *per worker employed,* however. According to a recent survey, more than 90 percent of all investments in business plant and equipment during the decade 1931–1940 was for replacement purposes only. (Announcement of the Twentieth Century Fund, February, 1946.)

tion. (3) The stages in industrial processing tend to be multiplied and to become more complex. This roundaboutness of production introduces time lags, multiplies the effect of an interruption of work at any one stage, and enhances the potential areas of friction in employment.

Indirect Effects of Innovations

The impact of technology upon the number of jobs or volume of employment is not obvious and direct since, in actual practice, summary mass layoffs at the time new machines are installed are not frequent. Most technological improvements are introduced in small doses, scattered among hundreds and thousands of different plants, their immediate effects being absorbed in the dynamics of industrial expansion and normal labor turnover or, in reverse, obscured in the ground swell of a general economic depression.

During a business depression following a prolonged shutdown, a concern may install new machinery and equipment in readiness for the resumption of business. When the plant is reopened, fewer workers are taken on than were previously employed, although the volume of business may exceed the former output. But no one has actually been displaced at the time the machines were installed, the layoffs having already been made at the beginning of the depression. Likewise, if a concern installs labor-saving machines when its business is expanding, it does not need to lay off any employees and may even take on additional workers. Even though the business is not expanding, displacements are frequently absorbed through the process of normal labor turnover, the displaced persons being transferred to the jobs vacated by employees who quit for personal reasons. During the conversion from the manual to the dial operation of telephones, practically no telephone operators lost their jobs. The change-over was made gradually in each city and the decreased demand for switchboard operators was absorbed by the naturally high turnover among young women operators. Nevertheless, complete conversion to the dial system means the loss of about two-thirds of the employment opportunities afforded by manual operation.[11]

[11] A study made by the Bureau of Labor Statistics in 1930, when one-third of the Bell companies' telephones had been converted to the dial system, indicated that if the output of calls per operator had remained the same in 1930 as

The impact upon employment is even less direct when the technological changes are introduced in newly established plants. A company may branch out into an entirely different locality and construct a new building with the most modern equipment. Because of the reduced manufacturing costs, more and more of its business will be done at the new plant, with a gradual decline in employment in the old plant. Industry is replete with illustrations of this kind. New England textile companies constructing new mills in the southern states, Akron rubber companies opening branch plants in numerous scattered communities, steel companies building new continuous strip mills in different localities from their old mills, are only a few of the outstanding examples. The transfer of business to more efficient plants may not be due to the planned, overt action of individual companies, but may be the result of a company's losing business because of competition from other concerns which have more efficient machines and methods of production. Whether the new plants are owned by the same or different companies, employees in the old plants gradually lose their jobs and fewer persons *per unit of output* are employed in the more modern plants located elsewhere.

Problem of Measuring Technological Unemployment

If the effects of technological improvements upon employment are obscure so far as individual instances are concerned, can their total impact be measured or known? What formula should be used? Let us use a hypothetical case[12] which is analogous to the telephone experience discussed above. Suppose that in one year 100 men were employed in a given industry to produce 100 units of output and that in the next year the use of labor-saving techniques made possible the manufacture of 110 units with only 90 men. Since employment declined by 10 men despite the increase in

in 1921 (when less than 8 percent of the telephones were dial), the number of operators necessary for handling the calls made in 1930 would have required almost 70,000 additional operators. (*Monthly Labor Review*, February, 1932, p. 285.)

The census shows that between 1930 and 1940 there was a 16 percent decrease in the number of telephone operators, even though many more telephones were in use than ever before.

[12] As cited by David Weintraub, "Unemployment and Increasing Productivity," in National Resources Committee, *Technological Trends and National Policy*, Government Printing Office, Washington, 1937, chap. 5, p. 80.

output, one might conclude that the technological displacement amounted to 10 men. One might also point out that if the new techniques had not been used and production had increased 10 units, 110 men would have been employed instead of the 90 actually at work. On this basis it is possible to state that the increased productivity affected 20 men—the 10 who actually lost jobs they had held the previous year and the 10 who would have been employed but for the increase in productivity. On the other hand, it is equally valid to maintain that if the improved techniques had been put into operation while production amounted to 100 units, only 82 men would have been required, indicating a displacement of 18 workers which, however, was offset in part by the actual increase in output requiring the services of 8 more men. Thus, it is possible to draw three different conclusions as to the displacement effected by improved efficiency in a given situation.

However, a gain in output per man-year in any particular industry adopting a new method or machine does not always mean a decline in the total amount of labor required for the final product, for the new method may involve increases in labor requirements in the production of the materials or capital investment needed in the earlier or later stages of the processing. In the illustration above, some men were employed in the making of the new machines and others were constantly needed to keep the machines in repair and running order. Also, as indicated in Chapter 4, the demand for the product may increase as a result of the decreased prices made possible by improved efficiency, and the expanded volume of production may require as many workers as were employed prior to the introduction of the new method, or even more men.

Although the impact upon employment of technological changes within a particular industry or trade cannot be conclusively measured, reasonably accurate estimates can be made of the interindustry or overall effects of such changes by comparing total output to total employment from year to year. If these comparisons are based upon "normal" years of business activity when extraneous influences such as depressions or booms are absent, it can be assumed that any reduced ratio of employment to output is a result of technology. Two such years are 1923 and 1939 (or 1940), which cover the period following the post–World War I

depression and the period before the World War II boom started.

What happened to production and employment during these seventeen years? Agricultural production was almost 18 percent higher in 1940 than in 1923, but agricultural employment was 7 percent less. Although 18 percent fewer tons of bituminous coal were mined in 1940 than in 1923, the number of miners had declined almost 38 percent. During this same period there was a decrease of 50 percent in the number of railroad workers, although the decrease in revenue traffic units was less than 23 percent. Several thousand fewer wage earners were employed in all manufacturing industries in 1939 than in 1923, but the volume of production was over 33 percent greater.[13] Moreover, the persons employed in 1940 worked fewer hours than they did in the earlier period. In manufacturing, for example, workers were actually employed 10 hours less per week, on the average, in 1940 than in 1923. If there had been no reduction in hours, it can be reasonably assumed that the decline in employment would have been considerably greater.

INCIDENCE OF UNEMPLOYMENT

Who are the first to be laid off during a recession in employment, and what workers find it most difficult to find new jobs? Even in the most serious periods of unemployment some workers retain their regular jobs, or, if laid off, find other employment. There have been several studies of persons who lost their jobs because of plant shutdowns or technological changes, and a number of surveys were made during the depression of the 1930's for the purpose of discovering what classes of workers were laid off first and found it most difficult to obtain reëmployment. Although these experiences may not be exactly duplicated in the future, the studies reveal what is likely to happen during any period of mass layoffs or declining employment.

Occupation and Skill

During a business depression, the people attached to the construction and durable goods industries are most severely affected, especially those engaged in manufacturing machine tools and other

[13] These figures are derived from data in various issues of the *Monthly Labor Review.*

capital equipment. Not only the mechanics and laborers, but also the professional and semiprofessional workers in these industries feel the impact to a greater extent than do most other professional people. During the four year period 1930–1934, more than one-third of all the engineers in this country had had some period of unemployment and half of these had been out of work for more than a year.[14] Although similar statistical data are not available for architects and draftsmen, it is known that relatively few of them were employed in their normal vocations during the worst years of the depression.

Throughout industry as a whole, all indications point to the fact that during a depression the hardships of unemployment fall more heavily upon the unskilled and inexperienced than upon the skilled and versatile workers. This does not necessarily mean that unskilled jobs disappear to a greater extent than skilled jobs; indeed, the reverse is probably true because of the relatively greater proportion of skilled mechanics in the construction and metal industries, the industries most affected by business depressions. So far as individuals are concerned, however, a greater proportion of the unskilled tend to be laid off because the more skilled workers are substituted for the less skilled through the downgrading and "bumping" process which takes place during a retraction of employment.

The impact of unemployment is quite different in the case of isolated plant shutdowns due to other than general business depressions, or to layoffs of particular groups of workers as a result of the introduction of a new machine. In such instances there is little or no sifting of those laid off or retained; and the incidence of the initial unemployment, at least, is solely a matter of who happens to be employed in the closed plant or on the jobs affected by the change in technology. Following such layoffs, the skilled and specialized workers frequently find it more difficult to find other jobs than do the less skilled, and thus experience longer periods of unemployment. If the skilled workers are beyond middle age, as many of them are, they are handicapped in obtaining employment in other plants, because the higher skilled jobs in most plants are filled by promotions from within. Also, if the skilled, ex-

[14] *Ibid.*, January, 1937, p. 37.

perienced worker has a home and family it is not as easy for him to move elsewhere to find employment as it is for a younger, unattached individual. The resulting effect of this geographical and occupational immobility is aggravated when the change in the employment situation takes place in isolated, one-industry communities. It is almost impossible for a coal miner who has spent long years in the mines "to pull up stakes" and reëstablish himself and his family elsewhere. When machines were introduced in the glass industry, it resulted in permanent joblessness for many of the older craftsmen, one reason being that the hand factories had been located in small, isolated communities in the natural gas areas.

Most of the hand cutters who were laid off between 1919 and 1926, when machines were introduced in the men's clothing industry in Chicago experienced considerable unemployment despite the fact that business conditions were relatively good. Less than one-fourth of these cutters found other jobs immediately after their layoffs; 7 percent had found no work as late as 1928, and those who were reëmployed had lost an average of 5½ months.[15] The skilled rubber workers laid off in Hartford, Connecticut, in 1929 because of a plant shutdown fared worse during the subsequent depression years than the unskilled rubber workers who lost their jobs in the same plant shutdown. Said one who investigated this situation: "Apparently the qualities which helped men to rise to skilled jobs and high wages while at work are of limited use in helping men to readjust satisfactorily when the job goes."[16]

Race

During a mass layoff, Negroes are usually the first to be laid off and they find it most difficult to obtain reëmployment. Relative skill and seniority are no doubt important factors in the initial layoffs, but when jobs are scarce Negroes frequently find themselves at a competitive disadvantage when seeking new jobs, regardless of skill. According to the 1937 federal registration of the

[15] R. J. Myers, "Occupational Readjustments of Displaced Skilled Workers," *Journal of Political Economy*, August, 1929, pp. 473–489. See also Isador Lubin, *The Absorption of the Unemployed by American Industry*, Brookings Institution, Washington, 1929.

[16] Ewan Clague, W. J. Couper, and E. W. Bakke, *The Readjustment of Industrial Workers Displaced by Two Plant Shutdowns*, Yale University Press, New Haven, 1934.

unemployed, the proportion of unemployed skilled male Negroes was twice as great as the proportion of skilled white workers, and the proportion of total male Negroes who were unemployed was one-third higher than that of male white workers.

Surveys in a number of cities in 1931 showed that the percentages of unemployed Negroes, skilled and unskilled, were two to four times greater than their percentage of the total population.[17] In 19 cities the unemployment of native white women ranged from 10 to 22 percent, in contrast to a range of from 20 to 75 percent for Negro women.[18] In 1934, less than one-fifth of all employable whites in Massachusetts were unemployed, although one-third of the colored were without jobs; and in Cincinnati 21 percent of the employable whites were unemployed, compared with 53 percent of the Negroes. In 1938, during the business recession following partial recovery from the worst of the depression, 51 percent of the employable Negroes in Philadelphia were without jobs, as against 30 percent of the native white and 24 percent of the foreign-born white workers. In Cincinnati that same year 53 percent of the employable colored, in contrast to 16 percent of the white workers, were unemployed.[19] The 1940 census for the entire country showed a 20 percent higher ratio of unemployment among Negro than white workers. All these figures refer to total unemployment. If partial unemployment or part-time work were included, the differences would be much larger because of the greater prevalence of casual employment among Negroes.

This racial disparity may not be as great in the future as in the past, due to the recently enacted Fair Employment Practices laws in some states as well as the extensive adoption of seniority rules for layoffs provided by union contracts.

Sex and Age

During the early years of the 1930's depression a greater proportion of men than women were unemployed. In Massachusetts in 1934 more than 26 percent of the employable men and 21 percent of the employable women were unemployed; in Michigan in 1935 almost 20 percent of the men, in contrast to 14.5 percent of the

[17] *Monthly Labor Review*, June, 1931, p. 60; May, 1932, p. 1088.
[18] *Ibid.*, April, 1934, p. 794.
[19] *Ibid.*, December, 1934, p. 1333; October, 1939, pp. 837, 840.

women, were unemployed.[20] As the depression continued, however, the proportion of unemployed women tended to increase, but this probably resulted from the fact that additional women entered the labor market because their husbands or fathers were without jobs.[21] The smaller incidence of unemployment among women who normally work is chiefly due to their type of employment. In general, during a depression employment does not decline as much in the retail, clerical, and service occupations, where women predominate, as in manufacturing, construction, and mining. It is also true that women are sometimes placed on jobs formerly held by men, at a lower rate of pay, during a depression.

A severe depression is especially hard on very young workers and those above middle age. Young people leaving school with no previous work experience find it extremely difficult to compete for jobs when there is an abundance of experienced applicants. Older persons who have regular jobs are usually retained as long as possible; but after they once lose their jobs they find it difficult, and sometimes impossible, to obtain new ones.

Engineers are an example of this. Half the engineers in this country who attempted to enter the profession after the depression began in 1930 were idle at one time or other during the subsequent four years, compared with one-fourth of the older engineers. However, the younger engineers experienced less unemployment, on the average, than those who were beyond middle age. Thus the median period of unemployment for those graduating from school during 1925–1929 was about one year, in contrast to almost two years for those graduating prior to 1905.[22]

Although young people probably have less difficulty in finding jobs than persons beyond middle age, the proportion of youth who are unemployed is greater during prolonged depressions than that of older persons, because additional young people are continually leaving school and seeking employment.[23] A study of al

[20] *Ibid.*, December, 1934, p. 1334; November, 1936, p. 1160.

[21] A study of urban unemployment in Pennsylvania in 1934 showed 80 per cent of the women and 27 percent of the men unemployed. However, 3 percent of the jobless women were new workers, in contrast to 17 percent o the men. (*Ibid.*, September, 1935, p. 618.)

[22] *Ibid.*, January, 1937, p. 38.

[23] This is true in foreign countries as well as in the United States. See *International Labour Review*, May, 1935, September, 1935, May, 1940.

TABLE 8. Percentage Unemployed, by Age Group, 1934 and 1940

	Massachusetts[a] January, 1934	Michigan[a] January, 1935	Federal Census March, 1940
All Ages	24.9	18.8	14.9
15–19 years	50.5	34.3	32.7
20–24	29.9	24.0	18.4
25–29	21.0	15.1	11.6
30–34	19.0	13.0	
35–39	19.5	13.2	11.2
40–44	20.0	14.2	
45–49	22.0	16.8	12.7
50–54	23.3	19.7	
55–59	25.6	23.0	14.6
60–64	27.2	27.3	
65 years and over	28.0	24.5	10.2

[a] *Ibid.*, December, 1934, p. 1334, and November, 1936, p. 1160. To obtain comparability in age classification, slight adjustments were made in the Massachusetts data.

the unemployed in Philadelphia in the spring of 1931 indicated the largest percentage of unemployment in the 16–25 age group and the smallest in the 36–45 group.[24] In New York City in 1935, approximately one-third of the young persons 16–24 years of age who were out of school and wanted work were without jobs. About 10 percent had less than eighth-grade education, slightly under 24 percent had completed eight grades, 40 percent had from one to three years of high school, 20 percent were high-school graduates, and 6 percent had anywhere from one to seven years of college.[25]

Two state-wide and one national census vividly reveal the relatively greater impact of unemployment upon young persons. These surveys, it will be noted, were made at different times—the Massachusetts census, about four years after the beginning of the great depression; the Michigan census five years, and the federal census a decade after it began. Each survey revealed that unemployment among the 15–19 age group was about twice as great as the total for all ages, and the unemployment of persons between 20 and 24 years of age was from one-fourth to one-third greater.

[24] *Monthly Labor Review*, May, 1932, p. 1038.
[25] *Ibid.*, February, 1937, p. 267.

Serious unemployment among young persons is not confined to periods of business depression. Even in times of relatively high-level employment for adults, youth unemployment may be large. During 1949, for instance, the unemployment rate for young people between 16 through 19 years of age was 14 percent in contrast to 5 percent for persons aged 20 years and over. This indicates that young people leave school before they have jobs or lose or quit their jobs soon after entering the labor market. Seniority policies which now prevail in most industries tend to make it more difficult for young persons to gain entrance into industry than in the past, although after they once get jobs they also benefit from the security resulting from seniority rules.

STATISTICS OF UNEMPLOYMENT

Despite all the concern over the effects of unemployment and the discussions about its causes, it is only within very recent years that data have been collected which make it possible to estimate how much unemployment actually exists from time to time. This is not too surprising when one realizes the complexities and difficulties involved in taking a census of unemployment. In addition to the vast machinery necessary for collecting and tabulating information, there is the perplexing problem of whom to consider unemployed. Is a person unemployed who has a job but is temporarily laid off? Is one who is sick or otherwise incapacitated unemployed? Should a woman whose primary responsibility is managing her home but who customarily works for wages part of her time be counted as unemployed if she loses her part-time job? What of the man who has lost his job but who wants to loaf a while before going to work again? Are young men and women unemployed who are helping their families on the farm after being laid off from their city jobs? Should jobless old people be included if they indicate they would like to work provided they could find jobs which were suitable for their advanced years? Are students unemployed if they cannot find after-school jobs which they need and want?

In terms of lost income and production, idleness resulting from these conditions is tantamount to unemployment. In terms of the number of persons who need and are able to work in relation to the number of job opportunities available, not all of this idleness can

be considered unemployment. It is obvious that the census taker must exercise considerable discrimination in the collection and assembling of unemployment data, and the user of census material must bear these different concepts in mind when citing unemployment figures.

Available Statistics

A federal census of unemployment was taken as early as 1890, when gainfully occupied persons were asked if they had been out of work the preceding year, and if so, for what length of time. Similar censuses were taken in 1900 and 1910, but the returns from the latter were never tabulated. When unemployment became acute following the business crash late in 1929, there was considerable demand for comprehensive figures on the volume of existing unemployment, and the Bureau of the Census included questions on unemployment in the 1930 census. No one was satisfied with the results of this canvass.[26]

Ironically, during the worst depression the country had ever experienced there were no accurate figures on the number who were unemployed. Throughout the depression numerous voluntary registrations of the unemployed were conducted but none of them, including the nation-wide registration conducted by the federal government in 1937[27] provided accurate data either on the total number or the characteristics of the unemployed. One of the tragic

[26] It was generally felt that the enumerators failed to obtain reports from many unemployed persons since they were paid only 2 cents for each schedule filled out and probably did not make return calls if people were not at home at their first or second visits. In this canvass, instead of people being asked how much time they had lost from work during the preceding year as in the 1890–1910 censuses, they were simply asked whether they had been at work the last preceding workday, and if not, what was the cause of their idleness. Persons who reported that they were unemployed were divided into several categories. Class A included those out of a job, able to work, and looking for a job; Class B included those who considered they had jobs but who had been laid off without pay because of slack work; Classes C-G included those who had and those who did not have jobs but who were sick or voluntarily idle. This census showed approximately 2½ million persons in Class A and ¾ million in Class B; this, combined, was equivalent to 6.6 percent of the total gainful workers.

[27] In the federal registration, which cost over $2,000,000, cards were distributed to each home throughout the country by postmen. As a check on the reliability of these voluntary returns, a house-to-house canvass was made in a few selected areas. These test censuses revealed that only 72 percent of the

aspects of the period were the heated controversies as to the seriousness of the unemployment, and estimates of the volume were usually colored by attitudes as to the need for remedial action.[28]

Current Statistics

The comprehensive survey of unemployment which was made in March, 1940, in connection with the decennial census, removed the arguments and controversies which had previously existed about the exact volume of unemployment. In this census all persons in the labor force were classified into three major categories: (1) The employed, which included those who were at work at the time of the census and those who had a job but were not actually at work because of vacation, illness, or layoff of less than four weeks, but who had definite instructions to return to their jobs at a specified time. (2) Those who were engaged on federal, state, or local unemployment relief projects. Because these persons were on relief as a result of their inability to get other work, they were considered unemployed. (3) Persons who were able to work and were actively seeking it but had no job of any sort at the time of the census.

Since the taking of the 1940 census, the Bureau of the Census has issued monthly estimates of unemployment based on monthly enumerations of a sample of households within a carefully selected number of counties throughout the United States. Thus, since 1940 there have been official monthly data on the volume of employment and unemployment in this country, classified on the basis of such major categories as agricultural and nonagricultural workers, sex, age, and certain other characteristics. Estimates of total unemployment have also been made for the period 1929–1940 based on census data, various indexes of employment, and other source material, as is shown in Table 9.

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totally unemployed and only 57 percent of the partly employed were included in the registration—a difference of 3 million in the totally unemployed figure. With such a wide margin of error in the total figure, the report's conclusions on the characteristics of the unemployed cannot be accepted as entirely accurate. Their undependability is further enhanced by the fact that persons filling out the cards obviously interpreted the questions differently.

[28] With each making such adjustments in the available data as was deemed necessary, it is not surprising that there were considerable differences among the various estimates. For example, the estimates for 1933, when unemployment was highest, ranged from less than 12 million to more than 16 million.

It should be borne in mind that the figures shown in Table 9 are average annual figures and that there is a much greater monthly fluctuation than is indicated by this table. For instance, the number of persons who were unemployed in March, 1933, at the depth of the depression, included at least 30 percent of the labor force. Moreover, it should be remembered that urban unemployment is much greater than the average for the entire country.

TABLE 9. Unemployment in the United States, 1929–1949[29]

Year	Average Number	Percentage of Civilian Labor Force
1929	1,550,000	3.1
1930	4,340,000	8.8
1931	8,020,000	16.1
1932	12,060,000	23.6
1933	12,830,000	25.0
1934	11,340,000	21.7
1935	10,610,000	20.0
1936	9,030,000	16.9
1937	7,700,000	13.8
1938	10,390,000	18.7
1939	9,480,000	16.5
1940	8,120,000	14.5
1941	5,560,000	9.9
1942	2,660,000	4.7
1943	1,070,000	2.0
1944	670,000	1.2
1945	1,040,000	2.0
1946	2,270,000	3.9
1947	2,140,000	3.5
1948	2,064,000	3.4
1949	3,395,000	5.5

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[29] It should be noted that those on work-relief projects during the 1930's are counted as unemployed.

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CHAPTER 6

THEORIES OF UNEMPLOYMENT

THE FOLLOWING FACTS ARE APPARENT FROM THE PRECEDING DISCUSSION: (1) Since the beginning of the wage system there has always been some unemployment and, except during war periods, the amount has been greater than could reasonably be assigned to the inability or unwillingness of certain individuals to accept and retain jobs. (2) At recurring periods, the volume of unemployment sharply increases as a result of what has come to be called cyclical business depressions. (3) Although business resumed and exceeded former levels of production following the depression after World War I, there was a substantial amount of unemployment all during the "prosperity" period of the 1920's. (4) The volume of unemployment was unprecedented in both its severity and its duration during the depression of the 1930's, and there was little evidence of a "natural" recovery such as had taken place after earlier depressions. In spite of extraordinary government measures of "pump priming" (discussed in the next chapter), almost 10 million persons were unemployed ten years after the beginning of this depression and the subsequent disappearance of mass unemployment was due to the exigencies of war production.

COMPLEX NATURE OF THE PROBLEM

It has already been indicated that the effects of labor-saving innovations are seldom direct and visible because large groups of workers are usually not laid off at the exact time and place a new machine is introduced. The repercussions are therefore remote and, so far as the general introduction of a new invention throughout all industry is concerned, they extend over a considerable length of time. During this time other factors appear, such as cyclical depressions, wars, the development of entirely new indus-

tries, and social and political changes which affect export trade, currency and credit, etc. Because technological progress takes place in a changing and complex world, it is impossible to isolate its impact from other influences. It is not even possible to prove, statistically, whether cyclical and technological unemployment are two distinct phenomena or whether they stem from the same complex of causes. There is not even agreement as to whether the peak, or the low, or the average level of employment within a cycle represents "normal" employment for that particular period.

Because causal relationships are obscure, one must delve into the realm of theory in search of an answer. In its positive aspect, the question to be answered is: Under what conditions, if any, can full employment be attained in a progressively advancing technological economy?

Interrelation of Factors

In a capitalistic economy where the goods produced are offered for sale, the solution to full employment necessarily hinges on two elements, namely, a sufficient market for the product of labor, and a sufficient volume of capital for the employment of labor. Inseparable from these are the factors of market prices and the returns to labor in the form of wages, and to capital investment in the form of interest, dividends, and profits. All theories[1] on unemployment must necessarily revolve around the relationships of these factors and attempt to answer such questions as these:

If savings are a requisite to capital investment, do they not at the same time imply a curtailment of consumption and therefore a diminished demand for labor's output? Is expansion in production, sufficient to provide full employment, initially and primarily dependent upon increases in capital investment, or is it contingent upon a growth of consumers' demands? If the former, what conditions must exist to produce more savings and encourage their investment in labor-using enterprises? If the latter, how can sufficient purchasing power be obtained? Is inadequacy of total purchasing power due to the oversaving and underspending of the higher-income groups, or to the low level of income received by

[1] The author is indebted in this discussion to *Survey of Economic Theory on Technological Change and Employment* prepared by Alexander Gourvitch and published in multilithed form as a National Research Project by the Work Projects Administration in May, 1940.

the masses who make up the bulk of the purchasers? Is cyclical unemployment a component part of technological development, or is it the result of entirely different factors? Does a gradual increase in unemployment and the consequent curtailment or threat of curtailment in purchasing power bring on a depression, or are depressions caused initially by the exhaustion of savings and the consequent curtailment in investment that provides the means for employment?

Let us review briefly some of the more commonly accepted theories which seek to explain why unemployment exists, under what conditions it is minimized or increased, and whether it is a permanent and inevitable phase of our existing type of economy, or whether it is subject to substantial reduction and control.

EARLY THEORIES

Concern over unemployment is not of recent origin. It existed before there were power-driven machines and whenever changes and improvements were taking place in either agriculture or manufacturing. In 1623 the Privy Council of England ordered a needle machine to be broken up, and in France the statesman Colbert described the inventor of labor-saving machines as an enemy of labor. Gradually, however, machines came to be accepted as beneficial to the nation, especially when they promoted export trade, although it was recognized that innovations caused temporary displacements of labor. It is the statesman's task, said a political economist in 1767, not to discourage change but "to prevent the vicissitudes of manners and innovations from hurting any interest within the commonwealth."[2] The mercantilists of that age believed that it was the duty of the government to promote a nation's industry, if necessary by subsidies and government orders, and to encourage export trade which would absorb the increased output and also provide money for the additional expansion of production and employment.[3]

[2] Sir James Stewart, *An Inquiry into the Principles of Political Economy*, London, 1767, vol. i, p. 120.

[3] The mercantile system was developed in Europe at the close of the Middle Ages. The doctrine, stated in its extreme form, held that wealth and money were identical and therefore each nation should attract to itself the largest possible share of the precious metals by increasing its exports and keeping its imports to a minimum, receiving the difference in value in gold and silver.

Adam Smith, pioneer of the English classical economists, was opposed to any government stimulation of the flow of capital into industry. He and his successors considered capital as a wages fund, that is, a stock of commodities available for the maintenance of laborers during the production period, and argued that employment is solely dependent upon the amount of available capital and that nothing else could alter its total volume. Capital is synonymous with a wages fund, and capital accumulation, he maintained, involves no curtailment of consumption because what is saved annually is consumed as regularly as what is spent annually. The only difference is that what is saved is consumed by a different group of people, namely, by productive workers instead of by the idle rich and their servants. Smith recognized that all capital was not directly used for wages but that some went into the purchasing of materials, plants, and equipment which, however, he considered an indirect form of wage payment because to him all costs ultimately resolved themselves into labor costs.

The Industrial Revolution had hardly got under way at the time of Adam Smith. As machines and the factory system developed, an increasing proportion of capital was invested in the means of production and a diminishing proportion in the payment of wages. With this change, was it not possible for too much capital to be invested in machines, leaving too little for wages? Obviously, the distinction between fixed capital used for investment in plant and equipment and circulating capital used for wages became more important and raised the question, among others, whether savings invested in capital equipment did not represent a withdrawal from consumption (contrary to Smith's theory) and, at the same time, serve to displace labor.

NINETEENTH-CENTURY THEORIES

Most economists of the 19th century answered in the negative by maintaining that there is an automatic reabsorption of displaced workers through the operation of the Law of Markets as first enunciated by J. B. Say in 1814. Every product which is produced, according to this "law," offers instantaneously, to the full extent of its value, a market for other products. This is so because its value is equivalent to the sum of the income of the

several agents—the owners of natural resources, the capitalists, and the workers—who coöperated in creating the product. No general overproduction is therefore possible. What appears as overproduction reflects only a disproportion between production and prices; the existence of overproduction in some industry or industries means that there has been underproduction in others. Such disproportions, however, will not be maintained unless there is unnatural interference; otherwise the equilibrium will be reestablished, for the movement of prices will cause a shift of capital and labor from the overexpanded to the lagging industries.

Although the introduction of machinery, according to Say's law, will cause a temporary displacement of workers, it will at the same time set in motion forces working toward their reëmployment. It may do so directly as a result of lowered prices calling forth an increased demand for the product whose production methods have been improved, or indirectly as the savings to consumers resulting from the lower prices make it possible for consumers to increase their demands for other commodities. Since the aggregate revenues and purchasing power in the community remain unimpaired, increasing cheapness anywhere means increasing demand and expanding production all around.

Automatic Adjustment Theory Challenged

Some economists of the 19th century were not as optimistic about the automatic reëmployment of workers displaced by machinery as Say was. Sismondi in 1827 maintained that technological improvements may be a benefit or a calamity, depending upon the relation of consumers' demands to productive power. He argued that the introduction of new machines, unless called for by a preëxisting demand for goods, will become a factor of general overproduction and of crises; that a technological improvement will not necessarily be reflected through reduced costs and prices in an expanding demand sufficient to enable all displaced workers to be reëmployed; and that prices are never reduced in proportion to savings in labor, and hence the augmented demand for that particular product, or the expansion in the demand for other products, is never sufficient to offset the lost demand for the displaced workers.

Ricardo at first accepted the theory of the automatic reabsorp-

tion of displaced labor, but later he became skeptical and argued that the introduction of machinery reduces the labor force since the use of the machines implies conversion into fixed capital of a portion of the circulating capital which had previously served to pay wages. His explanation indicated that during the year when the machine is under construction, the same labor force is employed in the aggregate as in previous years, and it is maintained with the aid of the circulating capital already produced. In the following year, however, when the machine is to be put into operation, the supply of circulating capital available in the shape of goods for the maintenance of labor will have diminished in proportion to the labor diverted to the construction of the machine, and a portion of the labor previously employed will then become superfluous. "Machinery and labour are in constant competition . . . with every augmentation of capital, a greater proportion of it is employed on machinery. The demand for labour will continue to increase with an increase of capital, but not in proportion to its increase; the ratio will necessarily be a diminishing ratio."[4] As we shall see in a later chapter, however, Ricardo also argued that the introduction of machinery will be retarded when wages decline, thus reducing the possibilities of unemployment.

Karl Marx, who thought in terms of long-time historical trends, stressed the cyclical nature of the effects of technological changes upon employment. Contrary to other opinions of his day, he contended that the introduction of a machine did not release capital which might afford employment to the displaced workers, but that it involved a conversion of variable into constant capital, with a relatively decreasing share serving for the payment of labor. He maintained that capital is not a subsistence fund for labor, as classical economists had held, and the existence of goods susceptible of use for the maintenance of workers does not constitute a demand for labor. In other words, there may be unemployment in the face of an abundance of consumption goods, and the introduction of machinery displaces workers who thereupon cease to be purchasers of goods.

Thus, according to Marx, the whole movement of modern in-

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[4] David Ricardo, *Principles of Political Economy and Taxation*, 3rd ed., 1821, p. 241.

dustry tends toward a continuous transformation of part of the working population into what he termed "a surplus working-class population," an "industrial reserve army." Portions of this "reserve army," he maintained, are drawn back into employment from time to time because technical improvements proceed sporadically owing to fluctuations in the profit rate. As capital accumulation progresses, profit rates decline to the point where investments slow down, with a consequent redundance of capital. This overaccumulation is reflected in a crisis—falling prices, curtailment of production, unemployment, and destruction and depreciation of capital values. Eventually, the crisis is overcome through the advancement of the profit rate as a result of wage reductions, the marking down of capital values, and, finally, new technical improvements in production. A new expansion period sets in, and the demand for labor increases as capital investment is resumed, only to be followed by a repetition of the same cycle of changes of falling profit rates, overaccumulation, crisis, and unemployment.

THEORY OF EQUILIBRIUM

Although there were many variants of these major theses, and some which differed radically from the more generally accepted views, the main threads of the 19th-century classical theories may be summarized thus: At the beginning of the Industrial Revolution it was generally believed that all capital represented a wage fund for the maintenance of laborers while they were engaged in producing additional goods; since accumulated savings in the form of capital investment in machines continued to be a wage fund, it could not cause permanent unemployment and the only limit to ever-increasing employment was the physical factor of food supply. Later there were expressions of misgiving in regard to the effects of technological change, with the recognition that an increasing share of capital investments represented outlays other than for the payment of wages, and that therefore an increase in the demand for labor was contingent upon the growth of capital investment at an ever faster pace. However, the incentives to investment, and hence the demand for labor, tended to diminish because of a tendency for the profit rate to fall.

Such misgivings seemed to have little foundation during the

decades preceding World War I when there appeared to be inexhaustible opportunities for investments in railroads and in the general industrial development of the United States, and for the extension of colonial trade by European countries. The prevailing optimism of this period was reflected in the so-called "equilibrium" theory of the neoclassical economists, based on Say's Law of Markets.

Leverage of Price Mechanism

The earlier theories admitted that there were two potential obstacles to a continued growth of production sufficient to offset the increasing productivity of labor—inability of the market to absorb the increased output, and nonavailability of sufficient capital as a source of a demand for labor. According to the equilibrium theory, adjustments of these factors are brought about through the operation of the several price mechanisms. The mechanism of commodity prices precludes the possibility of general overproduction, for as commodities become more plentiful, prices will decline and thus discourage too much production, and vice versa. Likewise, the price mechanisms of the factors of production—wage rates and interest rates—will automatically tend toward equilibrium, the point of equilibrium being determined by the marginal productivity of each factor.

Thus when labor costs (wages) tend to become too high, labor-saving machines will be introduced; the resulting unemployment will thereupon cause a lowering of the wage level and competition for capital will cause a rise in the interest rate. These concurrent developments will check the substitution of capital investments (machines), and equilibrium will be restored, with full employment of labor and capital producing the exact quantity of goods at prices which insure their purchase. The theory assumed that this happy condition of perfect equilibrium seldom if ever actually exists because there are always frictions and lags in the various price mechanisms which result in fluctuations in employment. Nevertheless, the long-time trend is always toward equilibrium, and any existing unemployment is a temporary phenomenon which will automatically disappear when the proper adjustments in prices, wages, and interest have taken place. Disequilibriums caused by the process of adjustments are elements in the business

cycle, but there is no problem of a permanent displacement of labor because the several price mechanisms (commodity prices, interest, and wages) are self-regulating in such a way as to assure the parallel growth of savings and of a demand for commodities adequate to prevent any labor displacement other than temporary and localized dislocations.

The logical conclusion to be drawn from such a theory is that there should be no "artificial tampering" with any of the price mechanisms. The *laissez-faire* doctrine of the orthodox economists, therefore, opposes any governmental or other concerted action which would directly or indirectly alter the "natural" levels of prices, interest, and wage rates.

Shortcomings of Equilibrium Theory

There was little or no questioning of this doctrine and its accompanying course of action, or lack of action, before the First World War. The leading British authority on unemployment, Sir William Beveridge, in his early writings optimistically held that ". . . there is no general failure of adjustment between the growth of the demand for labor and the growth of the supply of labor. . . . With every pair of hands God sends a mouth."[5] This belief was shaken after World War I, when the presence of unemployment appeared to be persistent even when business activity seemed normal. Some economists then began to question both the fact of the automatic adjustment of the various price factors and the assumption that it necessarily results in full employment. At the same time, persons concerned with the human problem of unemployment suggested courses of action which implied a disbelief in the equilibrium theory and the wisdom of a *laissez-faire* policy.

The Secretary of Labor, for example, stated in 1925: "The greatest source of unemployment in this country is the overdevelopment of industry. The fact is that our productive machinery and equipment cannot run 300 days in the year without producing a stock so large that it cannot be sold in this country, nor in any and all other countries."[6] He suggested, as a remedy, a law to compel the closing down of excess plants similar to the

[5] William H. Beveridge, *Full Employment in a Free Society*, W. W. Norton & Company, New York, 1945, p. 91.

[6] J. J. Davis, in *Monthly Labor Review*, October, 1925, p. 10.

merging of railroads under the auspices of the Interstate Commerce Commission. While such action would remove the surplus pools of labor attached to particular industries, the Secretary's suggestion included no remedy for finding employment elsewhere for these displaced persons.

Viewing the unemployment problem in its entirety, present-day economists differ in their interpretation of its causes as well as its remedies. Some accept the theory of equilibrium but maintain that the self-adjusting processes are not taking place for various reasons, and therefore overt action is required periodically to restore equilibrium. Others are inclined to believe that equilibrium does not necessarily imply full employment; that it is possible to reach a state of economic maturity with a fully developed regime of technology, and that in such a stationary economy investment opportunities are restricted, causing chronic unemployment. This persistent unemployment, these individuals believe, can be alleviated only through extraneous developments outside the price mechanism.

Relation of Wage Rates to Equilibrium

Those who maintain that unemployment is a result of rigidities in the cost-price structure do not agree as to which factor plays the chief causal role nor as to how equilibrium to bring about full employment can be effected. Some economists and many businessmen believe that "excessive" wages cause unemployment; that the very existence of mass unemployment indicates that the price of labor is too high for the conditions of the market, and that unemployment will disappear if wages are reduced to the point where employers find it profitable to use all the available labor.

The theory that excessive wages was the factor causing disequilibrium and therefore unemployment, lost many of its adherents after the business collapse of 1929, when conditions prior to the depression were analyzed. During the period of comparative prosperity between 1923 and 1929, consumers' prices and wage rates remained relatively stable and manufacturing productivity increased at least one-third. According to the automatic equilibrium theory, prices should have gone down with the decreased costs resulting from improved technology, and as the increased volume of goods competed for the consumers' dollars. The reduced

prices would have resulted in increased purchasing power which, in turn, would have stimulated further production and thereby absorbed the workers displaced as a result of the increase in productivity. Or, since the major portion of the purchasers of consumers' goods is composed of wage and low-salaried workers, almost the same state of equilibrium would have been achieved if wages and salaries had advanced paralled to productivity.

The fact is that total wage payments were substantially less in 1929 than in 1923 and consumer price levels were not lowered. The outstanding characteristic of this period, according to a government report, was a "decline of income payments in manufacturing, minerals and railroads. Total wages fell from 63.6 percent of all income payments in 1923 to 57.1 percent in 1929. The benefits of the rising productivity of labor were not in general transferred through price reductions to consumers, for the index of the cost of living was higher during most of the period than in 1923."[7]

Another economist, in his analysis of the causes of business depressions, also brought out this significant fact of the predepression era: "During the period 1922–29, profits as represented by corporate net incomes, increased faster than wages. In manufacturing, net incomes increased at an annual rate of 5.3 percent, per capita earnings of wage earners at the rate of 1.6 percent, and number of factory workers at 1 percent. The conclusion seems clear that there was an increase in the proportion of total income going to profits and a corresponding decrease in the relative proportion going to wages and salaries . . ."[8]

THEORY OF OVERSAVING AND UNDERSPENDING

The incontrovertible facts seem to indicate that, in the period before the great depression of the 1930's, automatic equilibrium between prices, wages, and profits did not take place. Of these three factors many persons stress the role of rigid prices as the major cause of disequilibrium. They maintain that monopolistic and other forms of collectivism in private business operations cause

[7] Witt Bowden, in *ibid.*, September, 1940, p. 522.

[8] Clark, John M., *Strategic Factors in Business Cycles*, National Bureau of Economic Research, New York, 1934, p. 106.

"imperfect competition" which keeps prices above their "natural" or competitive level. The growth of monopolistic trends and other conditions which lead to price rigidity lie outside the scope of this volume. It is pertinent to the present discussion, however, to mention one approach to the problem of full employment which is currently receiving considerable attention. This is the theory that the root cause of mass unemployment is oversaving and underspending.

According to this theory, oversaving and underspending are the dominant trends in our modern industrial economy and the cause not only of periodic depressions but possibly a continued increment of unemployment which is never absorbed, even in "normal" prosperity (although it disappears in abnormal war conditions). Oversaving and underspending, the theory holds, are caused by a maldistribution of incomes. The great mass of people receive incomes that are too low to enable them to buy the goods and services which technological production brings to the market; at the same time oversaving takes place among the relatively few who receive high incomes because they can spend only to the point at which their consumer wants are satiated and this is much below their available incomes. This is in complete contradiction of all the classical theories of both savings and wages. It maintains that "in contemporary conditions the growth of wealth, so far from being dependent on the abstinence of the rich as is commonly supposed, is more likely to be impeded by it. One of the chief social justifications of great inequality of wealth is therefore removed."[9]

Approaching the problem of oversavings from another angle than its effect on employment, but implicitly recognizing it as a cause of cyclical business depressions, Foster and Catchings made these prophetic statements before the 1929 collapse:

> Progress toward greater total production is retarded because consumer buying does not keep pace with production. Consumer buying lags behind for two reasons: First, because industry does not disburse to consumers enough money to buy the goods produced; second, because consumers, under the necessity of saving, cannot spend even as much money as they receive. There is not an even flow of money from producer to consumer, and from consumer back to producer. The ex-

[9] J. M. Keynes, *The General Theory of Employment, Interest and Money*, Macmillan and Co., Ltd., London, 1936, p. 64.

pansion of the volume of money does not fully make up the deficit, for money is expanded mainly to facilitate the production of goods, and the goods must be sold to consumers for more money than the expansion has provided. Furthermore, the savings of corporations and individuals are not used to purchase the goods already in the markets, but to bring about the production of more goods.

Under the established system, therefore, we make progress only while we are filling the shelves with goods which must either remain on the shelves as stock in trade or be sold at a loss, and while we are building more industrial equipment than we can use. Inadequacy of consumer income is, therefore, the main reason why we do not long continue to produce the wealth which natural resources, capital facilities, improvements in the arts, and the self-interest of employers and employees would otherwise enable us to produce. Chiefly because of shortage of consumer demand, both capital and labor restrict output, and nations engage in those struggles for outside markets and spheres of commercial influence which are the chief causes of war.[10]

The theory that oversavings and underconsumption are the fundamental causes of mass unemployment gained added impetus when promulgated by J. M. Keynes, the noted British economist, who repudiated most of the traditional theories of full employment through automatic adjustments within the price mechanism. According to his analysis, employment depends upon spending. Spending is of two kinds—for consumption and for investment. What people spend on consumption gives employment, but what they save gives employment only if it is invested in adding to capital equipment such as machines, factories, etc. (In this sense, the buying of land and buildings, and bonds and stocks on the exchange, is not investment but a transfer of property already in existence).[11] In our present unplanned market economy there is

[10] William T. Foster and Waddill Catchings, *Profits*, Houghton Mifflin Company, Boston, 1925, p. 409.

[11] One authority on unemployment, in explaining the causal relationship between speculation and business depressions, says: "In August, 1929, stockholders held approximately $52 billion in fictitious values, gains from stock speculation in 2½ years. . . . The prosperity of the 1920's was a tower built on the sands of progressive inflation. The fact that there was no price rise at that times does not change the basic character of that era. It was inflationary and doomed to collapse because, at that time, not only further expansion of production but also maintenance of the existing level depended on the continuous expansion of credit and accumulation of fictitious gains from security speculation." (W. S. Woytinsky, "Postwar Economic Perspectives," *Social Security Bulletin*, December, 1945, p. 23.)

nothing that automatically keeps spending and investment at the point of full employment, and therefore an adequate total demand for labor cannot be taken for granted.

Keynes differentiated between the tendency to save and the inducement to invest, and attacked the theory of a harmony between savings and investment attained through the rate of interest which, according to the older theories, kept the free capitalistic system in a prosperous equilibrium in which the demand for labor was constantly being adjusted to the supply of labor. A fall in the interest rate, he maintained, stimulates capital investment and therefore increases general business activity. Consequently, he recommended a controlled rate of interest kept consistently below the anticipated marginal yield on capital in order to induce savings to enter into investments.

Influence of Income Distribution

Many economists, at least in the United States, place less importance upon the interest rate as a major consideration in investment, or the lack thereof; they believe that businessmen are influenced by the prospective volume of business and the labor-saving possibilities of new machines more than they are by the cost of capital. In other words, investments depend upon the *prospects* of growth such as new markets, increasing population, inventions, etc.

Savings cannot go into investment, and thereby increase employment, unless there is a market to consume the products of the increased investment. In a technically progressive society such as ours, where productivity is advancing at a rate of 2 or 3 percent per year, it is axiomatic that general consumption must increase at the same rate in order to provide continuing channels for investment. "Increased productivity per head mathematically involves either increased consumption per head, or idleness, which must be taken in the form either of leisure or of unemployment. In other words, the fundamental problem of a progressive society is to distribute the results of the progress among its citizens, either by shortening hours or by increasing the purchasing power of the citizens so that they can consume more."[12]

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[12] William H. Beveridge, *Full Employment in a Free Society*, p. 101.

The crux of the oversaving thesis is that the amount of savings within any community or nation is governed primarily not by opportunities for investment but by the total income and its pattern of distribution. In general, the more unevenly income is distributed, the greater the total savings because persons with large incomes are able to save, whereas those with low incomes must spend most or all of their earnings on daily living needs. What little the people with low and medium incomes can save is primarily for their own security—to tide them over periods of sickness, unemployment, and other adversities. Such savings represent postponed consumption and cause little or no net accumulation over a period of time, because, while some are saving, others are forced to use their "nest egg." Oversaving results from the savings of the high-income groups and is the residual of their income that is neither spent for consumers' goods nor invested in new capital equipment.

Corporate Savings

Adherents of the oversaving and underspending theory maintain that oversaving has become accentuated during the past generation because of the current practice of corporations of withholding large portions of their annual profits to "plow back" into the business, thus adding corporation savings to individual savings. It has been estimated that American corporations, on the average, do not disburse as dividends as much as half their profits, and there is evidence that business is relying more and more upon plowed-back profits for the replacement and expansion of capital equipment.[13]

To an individual company, maintenance of a reserve fund for future contingencies and development seems to be a prudent and "businesslike" policy. Stockholders also benefit because reserves provide a means for stabilization of dividends. For the economy at large, the holding back of large portions of the income at the source of production restricts the free decisions of the "market place." They are not distributed among vast numbers of people, either in the form of lower prices or higher wages, which would

[13] In 1947 and 1948 about 61 percent of corporate profits after taxes were undistributed in contrast to 31 percent in 1929. (*Economic Report of the President,* July, 1949, p. 113.)

permit a wide base for individual decisions as to how much of the total national product should be saved and how much consumed.

SUGGESTED REMEDIES

Although the theory that oversaving and underspending are the root causes of mass unemployment has become increasingly popular, it is by no means universally accepted. Neither is there common agreement that the problem of unemployment is sufficiently serious and persistent to require concerted action of any kind. Many persons take the optimistic view that unemployment is not becoming more acute in the long run, and that periodic increases which occur at particular times will disappear because of the automatic self-adjusting processes within the business community.

Many believe that a continuing pool of several million unemployed is salutary because it provides a buyers' market for labor which gives the employer an opportunity to select and reject, and furnishes workers the necessary stimulant for good workmanship. Mass unemployment such as occurred during the 1930's is a passing phenomenon, an outcome of the usual recurrent cyclical operation of business, which will gradually disappear if economic forces are allowed to adjust themselves without interference. Unemployment, whether in a large volume as a result of business depressions or in smaller amounts at other times, is an inevitable by-product of a free society, and the rules of that society should not be tampered with in an attempt to eliminate one of its natural characteristics.

However, an increasing number of people are of the opinion that the business collapse of 1929 marked a turning point in our economic development which must be accompanied by a change in our thinking and social policy. They are convinced that the general trend of unemployment is rising, despite its occasional downswings during war and postwar booms, and that automatic self-adjustment processes cannot be depended on to absorb this surplus labor. But there are differences of opinion as to particular remedies as well as the goals to strive for. Some set their sights at "full" employment, others at a "high level" of employment. All rely on some governmental action but in varying degrees and through varying avenues of approach.

Full Versus a High Level of Employment

The distinction between "full" employment and a "high level" of employment is a matter of both mathematics and principle. Mathematically, in this country with its present population, it signifies the difference between one or two million and four or five million unemployed. The low figure represents the irreducible frictional unemployment occasioned by the lag between a person losing one job and finding another, and the higher figure represents the number which presumably could be idle even though business activity was good.

In principle, the distinction between "full" and a "high level" of employment symbolizes the difference between a buyers' and a sellers' market for labor. Full employment is assumed to indicate a state of affairs in which vacancies approximate the number of available unemployed persons,[14] which means that the employers, or the buyers of labor, must compete for the services of the average and better-than-average worker and also make use of marginal workers. A "high level" of employment, on the other hand, allows for a pool of idle labor; this gives the employer considerable latitude in selection so that only during his extreme peak needs will he be required to employ marginal or below-average workers.

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[14] The British authority on unemployment, Sir William Beveridge, goes further by saying that full employment means having *more* vacant jobs than unemployed individuals. He reasons thus: Society exists for the individual, and difficulty in selling labor has consequences of greater harmfulness than the difficulties associated with the buying of labor. A person who has difficulty in buying the labor that he wants suffers inconvenience or reduction of profits. A person who cannot sell his labor is in effect told that he is of no use. The first difficulty causes annoyance or loss. The other is a personal catastrophe. The difference remains even if most people are unemployed for only relatively short periods. As long as there is any long-term unemployment not obviously due to personal deficiency, anyone who loses his job fears that he may be one of the unlucky ones who will not get another job quickly. The short-term unemployed do not know that they are short-term unemployed until their unemployment is over.

The human difference between failing to buy and failing to sell labor is the decisive reason for aiming to make the labor market a sellers' rather than a buyers' market. There are other reasons, only slightly less important. One reason is that only if there is work for all is it fair to expect workmen individually, and collectively in trade unions, to cooperate in making the most of all the productive resources, including labor, and to forego restrictionist practices. (*Op. cit.*, p. 19.)

The implications of full employment are far reaching and go beyond the simple fact that everyone has a job who wants and is able to work. A condition of full employment would have an influence on the level of wages since it automatically increases the bargaining strength of the sellers of labor, that is, the wage earners. The impact of this will be discussed in a later chapter. So far as employer-employee relations are concerned, it implies a change from the situation in which the employer can say, "If you don't like conditions here, there are plenty of others to take your job," to one in which the employee can say, "If you don't like the way I'm doing, there are plenty of other jobs I can go to." Some would argue that this kind of situation tends to destroy industrial discipline and efficiency, that the fear of losing one's job is a needed incentive for doing good work. Others would contend that there are other motives for good workmanship than fear of losing one's job—the possibility of promotion, for example. Moreover, full employment does not mean that a poor worker has to be kept on in his present job; the natural aversion to changing jobs, and perhaps going to an entirely new location, may be sufficient inducement for satisfactory work performance.

To most people who are concerned with the immediate problem of alleviating unemployment, the distinction between "full" and a "high level" of employment is more abstract than real. They are of the opinion that maintaining a high level of employment at all times will require unprecedented action and that until this is accomplished no one need be unduly concerned about the impact of "full" employment upon employer-employee relations and shop management. The important question is whether a standard or goal should be established in advance, and a program set in motion for achieving it.

Problems Inherent In Government Action

Those who accept the validity of the oversaving and underspending theory believe that the problem of unemployment cannot be solved without government action. The moot questions are: what kind of action, and will such action tend to destroy our present system of free competitive enterprise and in the long run lower our general standard of living? No one questions the theoretical assumption that a totalitarian government can provide all its

citizens with jobs. Such a government has complete control over what shall be produced and the price at which everything will be sold. It has absolute authority to tell its citizens where they shall work and at what wages, and power to penalize them for disobedience. This is the antithesis of an economy in which prices are determined in a competitive market and wages are established by voluntary negotiations between employers and employees.

Can the essentials of a competitive economy be preserved with a government policy directed toward the maintenance of full employment? Many believe this is possible, for they envisage only a minimum of government regulation of wages and prices and no direct control over the particular kinds of goods which are produced. Government action pertaining to prices would be limited to seeing that prices are in fact competitive and not monopolistic, except under abnormal wartime conditions when price and other controls are always necessary. Government policy with respect to wages would be limited to establishing minimum rates, that is, a floor upon which the general rate structure would be determined by the employers and workers directly concerned.

Stabilization Through Government Action

Discussion of methods for obtaining a stabilized economy must be prefaced with the warning that a stabilized economy does not mean a stationary or static economy. Quite the reverse, it means a constantly expanding economy which at all times provides maximum use of productive resources. It means the regular employment of an ever-growing labor force and the fullest utilization of the increasing capacity of machines and natural resources. A stabilized economy signifies a steady advance in the gross national product which is the sum total of all personal and governmental expenditures for goods and services.

The essence of recommended government action for attaining full employment lies in fiscal and monetary controls, that is, the government's use of its tax and credit facilities as instruments for stabilization. There is not common agreement among those who advocate such government action as to specific program but the general outline is as follows:

The federal government would prepare each year a national budget based on the optimum total expenditures for the coming

year, assuming that all available manpower is employed. The government would thereupon assume the responsibility for seeing that the aggregate expenditures during the ensuing year are equivalent to the budget estimate. If inflationary forces are at work, the tax and other policies would be directed toward keeping private expenditures within the budget limits; for example, taxes would be raised and stock market and credit controls would be tightened. If there are indications that private expenditures will not meet the budget estimate, the tax and other policies would be adjusted in order to stimulate private consumption and investment. The government would absorb any balance through a public works program such as the building of roads, schools, hospitals, etc., which has the advantage of providing employment without creating additional capital equipment whose output must be sold. Some of the taxes levied on high incomes to prevent oversaving would be used for the continuing expansion of public services, such as educational, health, and recreational facilities, which serve the twofold purpose of raising the general standard of living and providing additional employment opportunities.

Such a positive program by the government assumes that the taxing and credit power of the government should be used to serve a twofold purpose in addition to their traditional role of providing revenue: First, taxes should be used as a lever for regulating the flow or volume of capital investment and consumer purchasing, and second, they should be used as a means for diverting surplus savings into channels which would increase consumption and therefore production. Economic stability would be accomplished, according to these proposals, by government spending ("compensatory spending") and borrowing ("deficit financing") when additional consumption seems necessary, and lowering of taxes and restriction of credit facilities when there is a threat of inflation.

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CHAPTER 7

UNEMPLOYMENT RELIEF

IT IS DIFFICULT NOWADAYS TO APPRECIATE THE PLIGHT OF PERSONS unfortunate enough to have lost their jobs in the days before the federal government assumed any active responsibility for the relief or mitigation of unemployment. Unemployment insurance was practically nonexistent in this country before 1935, and there were no state or federal programs of unemployment relief before 1930. The traditional concept was that the care of the poor was entirely the responsibility of the local community; that aid could best be given through private philanthropy, although in unusual situations the city or county should extend some assistance. There was no legal distinction between paupers or confirmed ne'er-do-wells and people temporarily in need because of enforced joblessness, and there was little difference in their treatment by either private charity or public officials.

It is worth while to review the situation during past periods of mass unemployment, and especially during the 1930–1933 depression, because the radical change in public policy, as expressed in our present social security and other governmental programs, stem from the woeful inadequacies of that period.

GRADUAL ACCEPTANCE OF PUBLIC RESPONSIBILITY FOR RELIEF

Prior to the depression of the 1890's there was little thought of a need for mass relief. Although there had been periods of severe depression before that time, the country was predominantly agricultural, and many of the unemployed were able to return to their families and relatives on farms when they lost their city jobs. In 1893–1896 the unemployed experienced for the first time the services of organized charity, but the sporadic activities of hastily organized temporary agencies were the predominant means of pro-

viding relief. Whether these were special committees appointed by mayors and using city funds, or self-appointed groups that raised their own money, their chief idea seemed to be that relief giving should be visible and audible. Every city had its soup lines and mass distribution of groceries—the system practiced by the Caesars two thousand years before. The newspapers eagerly devoted pages to describing the distress and suffering, but, unfortunately with the same zeal, they also rushed into indiscriminate charitable activities that drew crowds to their doors for handouts and sent "wagons blazoned with their names into crowded tenement streets calling aloud the names of those for whom they had charity packages."[1]

Similar methods prevailed during subsequent periods of mass unemployment, although there was a tendency away from the spectacular, demoralizing handouts of groceries and work tickets by hastily improvised civic organizations. There was a greater use of the existing relief agencies, both public and private, and they expanded their programs to care for the greater numbers needing assistance. Some cities provided funds for direct relief and for public works, but frequently such funds were not divorced from political patronage; hence jobs were given not to those who needed them most but to those who controlled the most votes.[2]

In a majority of the states the county was the responsible government unit for the care and financing of the needy. Unemployed persons who wanted assistance were usually compelled to plead their case before commissioners of the poor, and the names of those

[1] Charles D. Kellogg, "Relief of Unemployed in United States During Winter of 1893–94," *Journal of the American Social Science Association*, No. 32, 1894.

[2] In April, 1931, New York City appropriated 10 million dollars for a work relief program. Jobs were supposed to be distributed through the offices of the Department of Public Welfare to legal residents and voters of at least two years who were heads of families with dependents. Investigation revealed that the Tammany district leaders practically lived at the borough halls where the workers were selected, and that in one district alone over 90 percent of those given jobs were Democrats, and less than 9 percent Republicans. The ratio of enrolled Democrats to Republicans in that district was 4 to 1. Letters sent out to voters in another district read: ". . . the appropriation recently made by the Board of Estimate in which $20 million was made available for the unemployed, is positive proof that the City Government under Tammany Hall administration, is determined that no deserving member of the Party shall suffer acute want." (W. B. and J. B. Northrup, *The Insolence of Office*, G. P. Putnam's Sons, New York, 1932.)

who received relief were listed in the published minutes of the county boards and sometimes given pitiless publicity in the local papers—a measure designed to discourage requests for aid. In a considerable number of states the township (or incorporated city or village) was the financial and administrative unit for relief. Thus, Illinois had 1500 taxing and administrative poor relief units, Ohio over 1500, Wisconsin 1200. The small taxing area limited the spread of the financial burden so that towns which had the greatest relief costs often had the smallest tax income.

A considerable portion of unemployment relief, especially in the cities, was administered by private charitable organizations. An outgrowth of the individualistic philanthropy of churches and lodges, the private social agency had developed into a highly efficient mechanism staffed by professionally trained social workers. These private agencies were supported by voluntary gifts, and members of the policy-making boards were naturally drawn from among the larger contributors. While the technique of family service was nonpartisan, the basic policies and attitudes were colored by the ideology of the wealthy contributors; the recipients and their sympathizers had little or no representation.

Poor Laws

State laws for the care of those unable to support themselves were essentially the same as had existed under Queen Elizabeth in England over 300 years ago. Their general character is revealed by their nomenclature: "pauper laws," "support of the poor," "poor relief," "care of the indigent." Almost without exception, persons in need were assumed to be mental, physical, or moral defectives for whom the almshouse was the logical retreat, but for whom in some instances home relief might be given to the amount of $8 or $10 a month. A typical state law stated: "The overseers of the poor shall have the care and oversight of such persons in their town or precinct as are unable to earn a livelihood in consequence of any bodily infirmity, idiocy, lunacy or other unavoidable cause and are not supported by their relatives or at the county poorhouse, subject to such restrictions and regulations as may be prescribed by the county board or by the town."

In some states the courts and police handled cases of depend-

ency with funds provided from fines and forfeitures of bonds in criminal cases. In several states overseers of the poor were legally privileged to bind out to labor every person who needed public support. Many of the unemployed were disfranchised by laws in some states which deprived persons receiving public relief of the right to vote. Because of the heterogeneous types of settlement laws in the various states which define a person's right to support from the government in case of need, people often found themselves stranded, with no one legally responsible for their care. They were citizens of the United States but not of any state. A family might have moved from a state whose laws specified that legal residence was lost upon 30 days' absence, into a state in which legal settlement was not attained until after a year or more of continuous residence.

Relief Situation, 1930–1932

When business collapsed in 1929 and mass unemployment swept over the nation, these antiquated poor laws and private charitable organizations were practically the only available resources for the millions of jobless workers and their families. Toward the beginning of the depression, during the fall and winter of 1930, the prevailing attitude was "do nothing." Enterprising advertising and business concerns dotted the highways with posters which proclaimed "America *Is* Prosperous," and government spokesmen confidently said, "Prosperity is just around the corner." Leaders in local communities typically deemed it unnecessary and unwise to give too much recognition to the needs of the unemployed. Private charitable organizations expanded their programs as best they could, retrenching on all their other services in order to buy more milk and bread for the hungry. Even so, they frankly admitted that they were unable to cope with the situation, that they were turning hundreds away with nothing, and reducing the budgets of those they were helping. Unemployed men, women, and children, not getting any relief at home, took to the road. Flophouses and jails were opened in small villages as well as large cities; here the migrants were given a meal and a night's lodging and then told to move on.

Before the winter was over, practically every county, city, and

village in the country was forced to undertake special public works programs, some by bonding themselves to the legal limit, others by raising their tax rates as much as 50 and even 100 percent. A number of states inaugurated sales taxes to finance relief; others diverted gasoline taxes from their road funds; several borrowed from their teachers' pension and annuity funds, and many raised money through bond issues. Frequently there were constitutional limitations, not only on the incurring of state debts, but on income or sales taxes or raising money in any way for relief. A number of state courts stretched the police powers of the state and sanctioned relief appropriations as a means for the self-preservation and protection of the state. For example, the Washington State Supreme Court held an act for unemployment relief to be constitutional under the power of the state to suppress insurrection—an indication of the seriousness of the unemployment situation.

In spite of the tremendous increase in total costs, relief to individual families was becoming more meager and in some cases was cut off entirely. Most of the relief agencies were working pretty close to the starvation standard; few of the larger agencies gave as much as $1.00 per person per week, and in some cities the amount fell as low as 50 cents a week. The Illinois Emergency Relief Commission in its manual for local relief administrators said: "The commission . . . has defined its aim as the maintenance of a standard of living which will prevent suffering. . . . Clothing has a place in the relief program only as a preventive of physical suffering. Comfort, appearance, decency or even school attendance are not primary aims of the commission. . . . Rents, hospital care, school supplies, have been specifically denied by the commission."[3]

In many communities kerosene lamps displaced electricity for lighting, and wood was substituted for coal and gas for cooking and heating. It was an exceptional case when rents were paid for families on relief; in most instances the family had to be threatened with eviction before the relief agencies even started to dicker with the landlords. In many communities evictions were permitted and families were kept constantly on the move. City commissaries became increasingly popular because of their cheapness. Some may-

[3] Illinois Emergency Relief Commission, *Relief Guidance and Control*, Chicago, 1932.

ors proudly boasted that their cities were able to feed their unemployed at an average of eight to ten cents per day per person.

As is usually the case, certain groups suffered more than others. Single men everywhere were discriminated against. In some cases they were sent to county almshouses to live with the derelicts typically inhabiting such places; usually they were simply ignored and had to resort "to the road." In the southern states the Negroes and Mexicans suffered neglect, as did the coal miners in West Virginia and Illinois.

The third winter of the depression came to a close with the almost complete exhaustion of private contributions, with local public funds diminishing to an alarming degree, and state governments struggling to assume some of the responsibility. A minority group in Washington was battling for federal action, although President Hoover had said in his message to Congress in December, 1931, "I am opposed to any direct or indirect government dole."[4] In an attempt to allay further agitation for federal aid and also to dispose of some surplus agricultural commodities which farmers were unable to sell in the existing depressed markets, Congress directed that millions of bushels of wheat and bales of cotton which the Farm Board had on hand be distributed to the needy. This saved many persons from starvation, particularly in areas where there was no organized relief.

Agitation for more substantial federal relief was dramatized during the summer of 1932 by the tragic march on Washington of some 20,000 idle and ragged veterans of World War I who camped in and around the capital city for several months before they were dispersed with tear gas by federal troops. During this same year there were a number of "hunger marches" by other groups of un-

[4] There was a good deal of confusion as to just what the term "dole" meant. In England at that time its unemployment insurance was sometimes popularly referred to as a "dole." In this country, because of the prevailing opposition to such insurance (an opposition which is difficult to understand at this time), the word "dole" became a term of opprobrium which might refer to any kind of relief assistance the speaker happened to oppose. President Hoover confined the term "dole" to federal assistance and not to relief by local governments or private agencies. Some referred to cash relief as a "dole," in contrast to food allowances. Social workers were inclined to use the term "dole" in a situation where relief was given promiscuously without careful investigation of the actual need. Many of the unemployed contemptuously referred to "dole" as meaning inadequate and meager relief.

employed which aroused both the sympathy and the fears of the public.[5] In the ensuing presidential campaign the fight over federal relief bills became part of the political tug of war. Opponents of federal aid for the unemployed congratulated Hoover's stand "for national solvency"; those in favor of federal aid, recalling how the government was helping the banks and railroads, proclaimed that their fight was for "Main Street *versus* Wall Street."

A conference of all factions resulted in the passing in July, 1932, of the Emergency Relief and Construction Act, which provided 300 million dollars for loans to states and cities for unemployment relief purposes and for self-liquidating public works. The loans made for relief purposes, which actually proved to be gifts, were of material assistance to the local relief agencies, but these funds were virtually exhausted by the time President Roosevelt took office in March, 1933. At that time it was estimated that 4,250,000 families, or nearly 19 million persons, were receiving public assistance.

RELIEF UNDER THE NEW DEAL

The Roosevelt administration, breaking sharply with the traditional philosophy that relief was a responsibility of local communities and private philanthropy, proclaimed it a national duty and immediately launched a colossal program for the relief of the unemployed industrial and agricultural workers. In May, 1933, the Federal Emergency Relief Administration[6] was created, with funds to augment the depleted resources of the state and local relief agencies.

From the outset the FERA sought to do more than subsidize the existing state and local programs by establishing more adequate relief standards as well as improving the methods of administration. It encouraged the substitution of cash relief for the humiliating grocery orders and commissary systems, and urged the local agencies to provide clothing, medical care, and rent pay-

[5] There had been similar occurrences during the depression of the 1890's. The best known was the march led by an Ohio businessman and farmer, Jacob Coxey, to induce the government to print money to pay for a public works program. Coxey was arrested for walking on the Capitol lawn and his "army" disbanded.

[6] A much more permanent and constructive program was established two years later by the Social Security Act. See chap. 29.

ments where necessary. As a result, the average amount of relief per family increased for the country as a whole from $15 per month in 1933 to $30 in 1935. Nevertheless, the fact that 70 percent of the relief dollar went for food indicated that relief was still pretty much a bread-and-butter matter. In order to effect a closer union between industrial and agricultural relief the Federal Surplus Relief Corporation was organized for the purpose of purchasing surplus agricultural products and distributing them to persons on the relief rolls. This two-way transaction helped farmers by removing price-depressing surplus commodities from the open market, and it also provided a means for augmenting the food allowance in the family relief budgets.

A temporary but ambitious federal work relief program was put in effect for several months during the winter of 1933–1934. Under the Civil Works Administration, an agent of the FERA, more than 4 million persons were employed on hastily established public works projects requiring little or no machinery or materials. The CWA was the first large-scale federally sponsored experiment in public employment of the jobless; it was designed as a temporary measure to put the largest possible number of persons to work, regardless of costs.

The WPA Program

After two years of federal grants to the states for the relief of their unemployed, there was a drastic change in federal policy. In 1935 the FERA program was gradually liquidated and replaced by a work relief program under centralized federal control. The Works Progress Administration, which a few years later was renamed the Works Projects Administration, provided employment on numerous types of public activities to unemployed workers who were certified by their local relief agencies to be eligible for relief. Some of these projects were federal but most were sponsored by local governmental authorities.

During its almost six years of operation, the WPA expended approximately 9 billion dollars. Almost 7,800,000 different individuals were furnished jobs during the entire course of the program. The employment of a worker on a WPA project for a month cost the federal government an average of $61.50.[7] The physical

[7] Out of this amount, the worker received an average of $54.25 in wages, $ was spent for materials and other nonlabor items, and $2.25 for administration

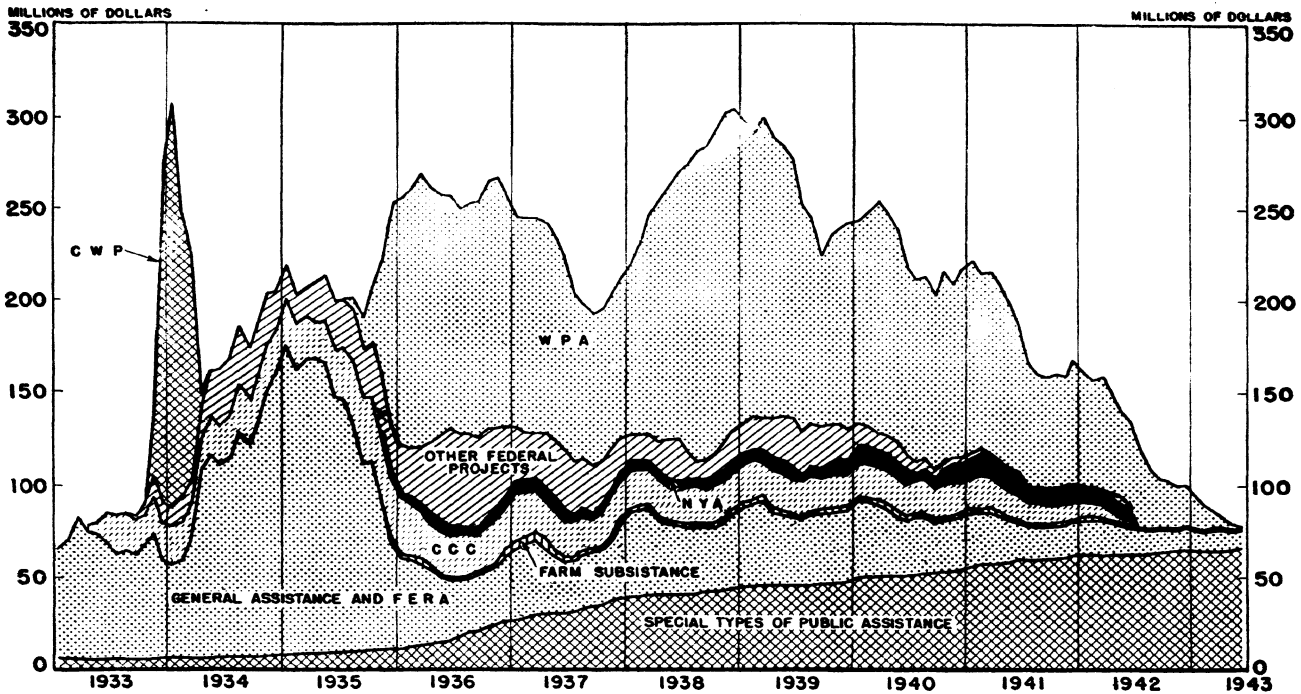

FIG. 15. *Public Assistance and Work-Relief Payments, 1933–1943. The special types of public assistance are largely those provided under the 1935 Social Security Act. (Source: Federal Social Security Administration.)*

accomplishments of the WPA program included the construction or improvement of more than 100,000 public buildings and 565,000 miles of roads, 100,000 bridges and viaducts, 36,000 schools and libraries, and 7000 parks and playgrounds.

Relief for Youth

The federal relief program included two major activities designed especially for young people—the Civilian Conservation Corps and the National Youth Administration. Under the former, several thousand camps were established throughout the country for young men who were employed on conservation work such as forest protection and improvement, reforestation, recreational developments, range rehabilitation, aid to wild life, flood control, soil conservation, and emergency rescue work. Each camp maintained a school and workshop. Over 87,000 illiterate boys were taught to read and write and others received vocational and cultural training of various kinds. A CCC enrollee was paid $30 per month, which included $8 in cash, an allotment of $15 to his dependents, and $7 deposited to his credit which was given to him upon his discharge from the camp. During its eight years of operation—from 1933 to 1941—some 2½ million young men served in the Civilian Conservation Corps.

The National Youth Administration provided part-time jobs each year for approximately 500,000 high-school and college students, as well as young persons who had left school and could find no jobs. Funds for the out-of-school work program were allocated among the states on the basis of the youth population; for the student-work program, allotments were made to each school and college on the basis of enrollment, needs of students, and school facilities. The young persons earned an average of about $15 a month for an average of 53 hours of work per month.

Appraisal of New Deal Relief Measures

It was inevitable that a mammoth and unprecedented undertaking such as the WPA, and its subsidiary organizations, should arouse criticism as well as commendation. This has been summarized by one historian as follows:

> From the first the government's relief efforts had encountered a running fire of criticism. Those in charge not only faced a situation for

which there was no prior experience, but they were further handicapped by the lack of an adequate, well-paid and efficient civil service. As a result, politics, waste and incompetence played an inevitable part. Administration foes quickly applied the term "boondoggling" to the inconsequential tasks to which some of the unemployed were assigned. But quite apart from the value of the work performed, the business classes tended to favor the dole rather than work relief as a cheaper way of caring for the destitute. Labor's spokesmen, on the other hand, criticized the relatively low wages allowed relief workers on the ground that the government's course might encourage private employers to hold down pay. The Washington authorities made many modifications of the wage scale without, however, satisfying organized labor.

On the credit side of the ledger the gains were indubitably great. Work relief not only kept people from starvation, but at the same time fostered their self-respect and enabled them to retain their occupational skills. Moreover, as hastily prepared projects gave way to more maturely conceived ones, public improvements of lasting value resulted in every part of the land. It should also be noted that the work program, initiated primarily for manual and clerical laborers, was expanded until it included many thousands of unemployed writers, artists, teachers, architects, musicians and actors as well as research experts in the natural and social sciences. . . . Every part of the United States shared in these far-reaching public undertakings, and the people witnessed a physical transformation of the nation such as they had never before known. Among the white-collar projects, countless historical records were ferreted out of forgotten places and arrangements made for their preservation; the compilation of a series of comprehensive guidebooks was undertaken for the various states and local communities; and free concerts and inexpensive plays afforded entertainment and inner enrichment for vast numbers unaccustomed to such opportunities.[8]

PUBLIC WORKS

Government-financed public works were advocated by some 18th-century political economists and statesmen as a palliative for the unemployment resulting from changes in industry and agriculture which were taking place at that time. However, the policy of public works programs as a device for providing employment for

[8] Arthur Meier Schlesinger, *The New Deal in Action, 1933–1939,* The Macmillan Company, New York, 1940, pp. 8–9.

those laid off by private industry[9] was not widely accepted during the century preceding World War I, although some cities and towns hastily provided make-work as a relief measure during the more serious business depressions.

Subsequent to World War I the principle of a planned public works program as a means for "smoothing the business cycle curve" by "priming the pump of industry" gained acceptance by economists and some public officials, although few of the proposals were put into effect. Anticipating widespread unemployment after the armistice in 1918, the War Labor Policies Board recommended a public works construction program, but these plans were abandoned with the sudden dissolution of the Board following cessation of hostilities. In 1921 President Harding's Conference on Unemployment urged the national government to adopt the policy of expanding its public works during periods of depression and reducing such expenditures when private business was active, but Congress did nothing about these proposals.

Soon after the 1929 business crash a law was enacted creating a Federal Employment Stabilization Board which was to report to the President whenever a state of depression existed, or was likely to arise within six months; the President thereupon was to submit this report to Congress with an estimate of the appropriations needed to undertake public works. The Administration at that time was reluctant to admit that any sustained period of unemployment was imminent and the program came to nought because Congress failed to appropriate funds. In response to the rapidly worsening unemployment situation, the Reconstruction Finance Corporation was created in 1932 in an endeavor to stimulate business through federal loans to private business.

The Emergency Relief and Construction Act, enacted later that same year, provided money for public works. Because of delays in undertaking specific projects, however, only a small portion of these funds were actually expended under the provisions of this Act. The amount which was spent by the federal government,

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[9] Public works construction, of course, is as old as government itself, and in this country the local communities have always been zealous in their efforts to get their share of federally financed river and harbor improvements, roads, post offices, etc. However, these were considered in terms of the projects themselves, rather than as planned programs for relieving unemployment.

moreover, did not compensate for the decrease in construction undertaken by state and local governments which were obliged drastically to curtail their public construction because of depleted treasuries.

Public Works Administration

Public works as a means of providing employment and stimulating business recovery gained new impetus with the change in administration in 1933. The National Industrial Recovery Act authorized the creation of a Public Works Administration and a "comprehensive program of public works." Originally established for two years, the PWA was continued until the approach of World War II, when unemployment virtually disappeared.

Unlike those on WPA projects, the persons employed on Public Works Administration projects were not selected from relief rolls. Also unlike the WPA, which employed people directly, most of the PWA projects were let on a competitive basis to private contractors who selected their own crews and paid prevailing wages for a standard 40-hour week.[10]

The Public Works Program was undertaken in three major divisions: projects to be conducted directly by agencies of the federal government; projects to be undertaken by state and local authorities or other nonfederal bodies; and loans to industry on a commercial basis for such purposes as the development and improvement of railroads or other private construction activities. All public works projects were required to have specific social value and to be conducted in such a way as to relieve unemployment in areas where the local employment situation had become serious.

Many different kinds of public works were undertaken under the program, the most popular being schoolhouses, courthouses, city halls, hospitals, roads, water and sewerage systems, flood control projects, and the deepening of river channels and harbors. Total

[10] Originally, the PWA itself fixed minimum rates for skilled and unskilled labor on a three-zone basis, but later wages were predetermined, before contracts were let, in accordance with going rates in the local community. The state director of the PWA was given the power to disapprove any rate, other than those fixed by statute, which was lower than the prevailing union rate if the type of work affected had normally been done under union conditions.

employment on PWA construction projects amounted to over 2 billion man-hours of work, or the equivalent of more than a million men for one year. If the secondary employment in industries supplying and transporting the materials used on the projects, and the living needs of the workers directly and indirectly engaged on these projects, were also taken into account, the total amount of employment created by the PWA was at least five times the amount actually engaged at the site of construction.

EMPLOYMENT ACT OF 1946

Production for war absorbed the public works as well as all the public relief programs, and mass unemployment disappeared as the demands for military and civilian employment expanded after Pearl Harbor. With the depression after World War I and the long depression of the 1930's in mind, many persons and organizations actively supported the "Full Employment Bill" which was introduced in Congress soon after V-J Day.

The Original Bill

The bill introduced into Congress was not enacted although it was widely discussed both in and out of the halls of Congress. It deserves consideration because of the principle it enunciated as well as the kinds of remedies it proposed. The bill declared that all persons able and willing to work have "the right to useful, remunerative, regular and full-time employment and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all . . . freely to exercise this right."

Specifically, the bill provided that the President should submit to Congress at the beginning of each session a National Production and Employment Budget which would include estimates of the number of jobs needed for full employment, the volume of goods and services which could be produced at full employment, and the amount of investments and expenditures which would be needed to purchase this volume. If the budget report showed a deficiency—that is, spending ability insufficient to maintain full employment—the President was to recommend a program "with re-

spect to, but not limited to, taxation; banking, credit and currency; monopoly and monopolistic practices; wages, hours, and working conditions; foreign trade and investment; agriculture; education; housing; social security; natural resources; public works; and other revenue, investment, expenditure, service, or regulatory activities of the Federal Government."

The proclamation of the "right to work"[11] principle and the government's responsibility for providing job opportunities for everyone who is able and willing to work was a radical innovation. Although it was implied in the WPA and other unemployment relief programs, the most positive formal commitment had been limited to the government's obligation to see that "nobody shall starve." The means for implementing "the existence at all times of sufficient employment opportunities" also involved a radical departure from previous governmental policy in two respects: First, it entailed an annual forecast of economic conditions by the government and, second, it called for positive and specific preventive measures where such forecasts indicated the need for government action.

Much of the opposition to the bill was based on the general fear that it would lead to "government dictatorship" and "socialization." Some of those who did not foresee such dire results nevertheless were skeptical about the effects of government forecasting, the perils of which had been pointed out years before any such bill was proposed: "One reason why mere prediction will not put an end to business cycles is that businessmen will use the predictions to guide business policies of the same basic sort they now follow: expending to take advantage of increasing demand and contracting to meet declining demand and building up excess capacity in the hope of increasing their proportionate shares of the existing business. If expansion is predicted, they will still take action which will tend to bring the expansion about and to intensify it, though perhaps more promptly than at present. If expansion is expected soon to turn into recession, they will then take the kind of action calculated to bring on the recession and to intensify it, though perhaps more promptly than they now do. As a result, they may not carry either the expansion or the recession quite so far as they

[11] See chap. 25 for a discussion of the principle of "right to work" in another connection.

now do; but to expect a greater change than this would be highly optimistic."[12]

Proponents of the bill saw no danger in economic forecasting provided it was accompanied by the preventive measures called for. They argued that these measures, even though they implied a planned economy in a general and overall way, were a lesser evil than the existing laissez faire economy which was unable to prevent periodic mass unemployment with its possible disastrous social and political consequences.

Council of Economic Advisers

The act which was finally passed declared that it was the government's policy ". . . to coördinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, . . . and to promote maximum employment, production and purchasing power." Under the act, a Council of Economic Advisers makes annual reports on the "current and foreseeable trends in the levels of employment, production, and purchasing power," together with recommendations for a program which will create conditions affording job opportunities for all who are able and willing to work, and seeking employment.

This 1946 Employment Act says nothing about a guarantee of jobs, nor does it call for a planned federal budget with implied commitments to stimulate flagging business activity and take up any employment slack, which were the two basic features of the original proposal. Sponsors of the Act maintained that the program for fact finding and recommendations by a council of nonpartisan economists would serve to stimulate action by government and business which, in the words of President Truman when he appointed the members of the Council, would provide the country with an "economy free from the evils of both inflation and deflation" and one which "can go forward to greater heights of prosperity and full employment than have yet been achieved."

The future will tell whether the measures for fact finding and

[12] John M. Clark, *Strategic Factors in Business Cycles*, National Bureau of Economic Research, New York, 1934, p. 163.

recommendations will bring about these happy results although the reports thus far issued by the Council have received general acclaim for their accuracy and sound recommendations. However, President Truman's recommendations for government action to curb inflation immediately after World War II were largely ignored by business and the Congress.

The question of the role of government in preventing mass unemployment has undoubtedly become the major domestic issue facing our country today and the issue upon which our future political alignment will focus. Within the past generation, the federal government's responsibility for caring for the unemployed has been accepted, although there remain wide differences of opinion whether such assistance should be limited to prevention of starvation or to providing a standard of living above mere subsistence. Government action to *prevent* unemployment, however, has not received unqualified acceptance either in principle or with respect to specific programs. It presents a much more complex problem and entails much more than benevolent assistance to those in need. It challenges many traditional economic and political concepts, and involves drastic adjustments in the customary functions of our government. Like all great changes in the history of peoples, if the responsibility is adopted, it will not be because of a preconceived theory but in response to a grave emergency which requires drastic changes in customary thinking and action.

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CHAPTER 8

EMPLOYER EFFORTS TO ALLEVIATE UNEMPLOYMENT

IS GOVERNMENT ACTION THE SOLE MEANS FOR ALLEVIATING UNEMployment or is it possible for business, the provider of jobs, to take any action which would eliminate or at least tend to reduce unemployment? From earlier discussions it is apparent that no single industry can solve the problem of mass unemployment resulting from general economic disequilibriums. But there is ample evidence that individual industries and business firms can do much to prevent or at least mitigate, some types of unemployment. As already indicated, substantial amounts of unemployment are the result of seasonal and other irregularities in business operation, or of layoffs due to special causes unrelated to general economic conditions. The amelioration of such insecurity of jobs and income lies within the realm of individual employer action to a large degree, as is evidenced by measures which have been taken by some employers.

In general, the efforts of employers toward stabilizing employment and wages have included one or more of the following: (1) readjustments in plant operation in order to regularize the flow of work; (2) plans for guaranteed annual employment and wages; (3) dismissal pay, in case of unavoidable layoffs, to provide income until new jobs are found; (4) centralized and improved methods of hiring, training, and transfer. The latter will be discussed in the next chapter; here we shall deal with the various means used for obtaining greater stability in production, as well as with guaranteed employment plans and payment of dismissal wages to workers laid off through no fault of their own.

STABILIZATION OF PLANT OPERATION

Stabilization of production is an ideal which no one seriously questions because it benefits everyone concerned in a business enterprise—the owners, the employees, and indirectly the customers. An even flow of work through the plant twelve months a year not only provides steady jobs but makes possible the maximum utilization of plant facilities, thereby reducing waste and costs and enhancing profits.

Conceding the desirability of regularization is one thing, however, and attaining it is quite another, for it hinges on every aspect of business operation as well as the desires and habits of customers. It involves questions of business financing, methods of sales and distribution, the intricacies of routing hundreds of different parts to numerous workers at different machines, and constant vigilance to avoid machine breakdowns and other interruptions in the flow of work all along the production line. Its attainment requires management foresight and imagination, a desire and will to break long-rooted habits both within and without the plant, a high degree of efficiency throughout the hierarchy of management, and the coöperation of all the workers.

In view of the difficulties involved, it becomes apparent that production stabilization can never be perfectly achieved throughout all industry. Nevertheless, some companies have made notable progress in stabilizing production within their plants, and their experiences provide illustrations of the various factors which must be taken into consideration in any plan for steadying work.

Diversification of Products

Although it is impossible to eliminate seasonal demands for some kinds of goods and services, there are various ways in which seasonal irregularities in employment can be reduced. One is through diversification of product or the development of side lines to fill in the seasonal gaps. The coal and ice business is the classical example of a combination of seasonal industries. Canning companies have gone into making jellies, soups, and other prepared foods which fill in the dull periods between harvest seasons; some manufacturers of toys that are largely confined to the Christmas trade

have introduced gadgets which have year-round sales. In lieu of or supplementary to product diversification is a program for widening the sales market to include areas of divergent seasonal demands. Thus summer clothes can be manufactured for winter sale in Florida and southern California, and markets in the southern hemisphere make possible a dovetailing of seasonal production for all commodities whose sales are affected by climate and weather.

There are, of course, difficulties in the introduction of new products in any business. New markets and sales programs must be developed; the products must be carefully chosen to make sure that they will even out production and not accentuate existing seasonal fluctuations; their manufacture may require new techniques and skills on the part of both management and workers; and if new machinery is required, there is additional capital investment.

Marketing Methods

Some seasonal and other irregularities in production are due to habit and custom more than to real necessity; they are the result of marketing and distribution methods rather than the actual needs of ultimate consumers. At one time, for example, the manufacture of soap was a highly fluctuating business, although there is little variation in the daily use of soap. The irregularity was due to the fact that the manufactured products were distributed through speculative jobbers who stocked up heavily when they sensed a rise in prices, and ceased purchasing when it appeared that prices would fall. A prominent soap company was able to regularize its production when it largely eliminated the jobbers and began selling direct to retail dealers. Some manufacturers of shoes and other clothing have gone further in controlling the disposal of their products by establishing their own retail outlets.

The automobile industry, notorious for its extreme fluctuations in employment, greatly reduced the impact of its seasonal operations by shifting the annual date for bringing out new models from January to early fall. The twofold aim of this change was to stimulate consumer demand for cars in the wintertime through the appeal of new models, and to get dealers to stock new cars well in advance of the peak spring demand. Although this change in the introduction of new models has by no means eliminated irregularity in employment, the seasonal layoffs have been shifted from

winter to late summer when workers are better able to find other employment on farms, in canneries, resort hotels, and so forth.

Some employers consider regularization sufficiently important to make price reductions on goods purchased during slack seasons, and others stimulate purchases by giving their salesmen increased commissions on orders taken for dull-season delivery. A not unusual practice is for manufacturers to give their customers discounts graduated according to the delivery date, thus discouraging spot deliveries which reduce opportunities for factory planning. One of the most effective means for regularizing the flow of work is to manufacture for stock during dull seasons. This, of course, entails the "freezing" of capital which has been expended on the materials and labor used in the manufacture of the stock items and also involves some risks. If there is a style factor, the stock goods may become obsolete before sold; and if there is a decline in market prices, they may have to be sold at a loss. For large items there is also the problem and cost of storage space, and for many products there is the possibility of deterioration.

Standardization

Frequent change in styles, not only in clothing but in many other consumer goods, is a major cause of production irregularities, although business defends and encourages style changes and multiplicity in types and kinds of products on the ground that they stimulate and increase total purchases. It is doubtful if much can be done to discourage the trend toward ever-increasing changes in styles and fashions in consumers' goods, but progress has been made toward standardizing some products and parts and this has greatly facilitated regularization. For example, automobile parts have become standardized to a large degree, even though there has been diversification in colors and models. (The Ford Motor Company at one time produced only black cars in two or three models.) While an increasing variety of electrical appliances is being manufactured, there is continued standardization of size and design of parts which permits interchangeability.

Aside from the resulting convenience to customers,[1] standardization of tools and parts tends to stabilize employment because it

[1] Americans who travel in Europe, where there is no standardization in size and voltage, are constantly reminded of the inconvenience of not being able to

reduces the delays incident to securing replacements during the process of manufacture, broadens the possible market for the finished products, and, as already mentioned, encourages manufacturers to produce for stock during slack seasons.

GUARANTEED WAGES AND EMPLOYMENT

The question of guaranteed employment or payment of annual wages has become one of the dominant issues in employer-labor relations. Exhaustive studies on the feasibility and potentialities of such arrangements have been undertaken by the government, by employer and labor organizations, and by a number of economists.[2] The 1948 conference of the International Labor Organization passed a resolution asking that the question be placed on the agenda of an early session of its conferences. Although the subject is receiving considerable attention, there are only a few guaranteed employment plans in operation at the present time, in spite of the fact that the government, as indicated in Chapter 17, has lent encouragement to them by exempting employees who work under specified types of plans from certain provisions of the Fair Labor Standards Act. According to a government survey there were only 196 plans in effect throughout the country in 1945, and these covered only about 62,000 employees. Most of them were in small retail, wholesale, or service establishments although several were in comparatively large manufacturing plants.[3]

Economic Considerations

The explanation of the infrequency of annual wage and guaranteed-employment plans in American industry today lies in the

plug any kind of electrical appliance into any socket. For a discussion of the significance of standardization in terms of business efficiency and regularity of employment, see the report of the Federated American Engineering Societies, *Waste in Industry,* McGraw-Hill Book Company, Inc., New York, 1921.

[2] In 1945 President Roosevelt appointed an advisory board to make a thorough study of the problem after the United Steel Workers had demanded a guaranteed annual wage provision in their forthcoming contract with the Carnegie-Illinois Steel Co., and the War Labor Board had refused on the grounds it had too little information on the matter. See the recent publications listed at the end of this chapter for a thorough economic analysis of the problems connected with guaranteed employment plans, as well as descriptions and results of those now in effect.

[3] U. S. Bureau of Labor Statistics, *Guaranteed Wage or Employment Plans,* Bulletin No. 906, Government Printing Office, Washington, D. C.

very problem that such plans are designed to correct. As a rule, the only companies which feel they can guarantee wages or employment are those that have substantially solved the problem of regularizing employment. Some guarantee plans, after being in operation for several years, have been abandoned when the companies found themselves unable to finance them during a business depression; many have not even survived a prolonged seasonal decline in production.

The problem of guaranteed annual wages stems from the present practice of hiring and paying on the basis of small units of work or time, and it becomes more acute with the increasing proportion of the working population who are engaged on that basis. Before our modern industrial system, most employees were hired on a yearly basis or even for longer periods, and the proportion of self-employed persons was much greater than today. Fundamentally, the question of guaranteed wages is the question of how the costs of economic idleness shall be borne. At present, wage earners bear the brunt of business irregularities for, unlike salaries and dividends, wages usually cease to be paid the very moment production stops. In principle, a guaranteed wage plan means the transfer of wages as a direct, variable cost to a fixed overhead expense; it involves the obligation to pay labor on the same annual basis as rent or interest.

The desire on the part of workers for year-round wages is understandable and there are economic arguments, in addition to equity considerations, in support of the general adoption of such systems of wage payment. The economic argument is based on the theory that full employment is contingent upon sustained purchasing power. Since wages constitute a major proportion of purchasing power, a steady, assured flow of wages will maintain markets and thereby stabilize the economy and eliminate cyclical unemployment. So far as seasonal and other intermittent unemployment is concerned, the obligation to pay annual wages will serve as a financial incentive for employers to undertake means for overcoming these interruptions, and the assured income, in turn, will improve production by discouraging workers from stalling in order to stretch out their jobs.

No one opposes the ideal or the social desirability of regular work and income, but many persons question the practicability of guaranteed wage plans in specific situations or the imposition, by

legislation or otherwise, of such a wage system throughout industry. They argue that its general adoption would accentuate the business cycle and drive more marginal firms out of business as a result of the unfavorable cost-price relationship caused by continued payment of wages during depressed market conditions. Employees of these concerns might well argue, what good is an annual wage plan when the boss goes bankrupt?

More important than the question of whether guaranteed wages would or would not stabilize industry, is the question whether guaranteed wage plans would be gained at the expense of business growth and expansion. Would the assumption of the additional risk involved in the obligation to meet a fixed pay roll a year in advance deter new business ventures and expansions in already established enterprises? Would job opportunities for young persons and others seeking employment be sacrificed as a result of guaranteeing the wages of those already employed? This is the old, old problem of the inherent conflict between security and progress; between the benefits of stabilization and the risks of change and experiment.

Recognition of the possible dangers of a general or required adoption of guaranteed wage plans throughout industry does not indicate that they are not feasible under certain conditions, and that efforts should not be made toward their wider coverage. There is no doubt that the entire economy will benefit from a gradual extension of carefully planned systems of guaranteed wages, and it is therefore advisable to be familiar with the various types of plans already in effect.

Existing Guaranteed Employment and Wage Plans

Existing guarantee plans are of two general types, namely, those guaranteeing employment and those guaranteeing annual wages. The employment-guarantee plans specify the number of weeks or hours of work to be provided employees each year, without specifying the amount of earnings to be received. In other words, what is guaranteed is a year's job (or in some cases, a fraction of a year), with the total annual earnings left a variable. Under annual-wage plans, the employee is guaranteed a weekly income throughout the year, regardless of daily or seasonal fluctuations in employment. Actually, the distinction between guaran-

teed-employment and annual-wage plans is one of emphasis only, for if the employer cannot furnish sufficient work to fulfill the contract, he must pay wages for the remainder of the time guaranteed. The significant differences among the several plans have to do with the relative completeness of the guarantee, that is, with how closely the guarantee, whether expressed in wages or in work, comes to providing the equivalent of full employment at normal wages.

Existing guarantee plans represent various arrangements and degrees of regularizing employment or income. In some instances the regular weekly wage is assured for a given number of weeks and a proportion of the wages (for example, half pay) is guaranteed during all or a specified number of the remaining weeks. Certain plans guarantee a specified number of hours' or weeks' work a year. Under the hour guarantee, weekly earnings fluctuate according to the actual hours worked in any week; under either plan, if less than 52 weeks or 2080 hours are guaranteed, the worker has no assurance of a full year's employment or earnings.

Under some plans, full pay during weeks of less than full employment is compensated to the employer by extra work during peak seasons with no increase in the weekly pay during these overtime weeks; under others, the guaranteed wage represents a minimum to which overtime is added when worked. Somewhat similar to a guaranteed-wage plan is the wage-advance arrangement whereby an employer makes a cash loan to eligible workers in "short" weeks to bring their wages up to specified amounts, these advances being subsequently repaid by automatic deductions from wages earned during full-time or overtime weeks. One well-known plan guarantees each eligible employee 52 pay checks per year regardless of business conditions or regularity of employment, but the total annual wage fluctuates because the fund from which the pay checks are drawn is a specified percentage of the company's gross income.

The plans differ not only with respect to the proportion of a year's normal income or work which is guaranteed, but also as to the inclusiveness of the labor force that benefits from the guarantees and the conditions, if any, which relieve the employer of fulfilling the guarantee obligations. For example, if the guarantee applies to only a small number of key employees, the plan may

involve no major effort toward plant-wide stabilization but represent merely a contractual arrangement for employees who would in any case be fairly regularly employed.

Three well-known examples of guaranteed-employment or annual-wage plans justify brief description because they illustrate different types.

Under the *George A. Hormel & Co.* "straight-time" plan each worker is employed on an annual basis and is assigned a regular weekly rate which is determined by budgeting over a 52-week period the estimated annual labor cost of the department. The total annual labor expenses for a department are estimated and one fifty-second part of this cost is allocated as a weekly wage cost; this is divided into equal weekly payments, graduated according to occupation, among the workers estimated as necessary to do the work, regardless of the number of hours worked in any particular week. In return, the employees regularly attached to a department work, without extra pay, as many hours as are required to turn out the scheduled production, up to a maximum of 53 hours during peak periods; however, when they are required to work more than 10 hours in any one day, they receive overtime for the hours over 48 worked in that week.

The yearly wage is calculated on the basis of a 40-hour week in most departments, with an allowance for vacation and sick leave. In other departments, in which the budget is insufficient to guarantee 40 hours' pay or for which it is difficult to forecast yearly production accurately, the yearly wage is based on 38 or 36 hours' pay as a safety margin. If at the end of the year the employees in these departments have worked more than the hours paid for, they receive a year-end check for the extra hours actually worked.

The *Nunn-Bush Shoe Co.* plan guarantees 52 pay checks a year to practically all employees with at least two years of service. By agreement between management and workers 36 percent of the value added to raw materials costs is put into a Share Production Fund from which all wage payments except those for overtime are made. Individual weekly drawing accounts are established for each eligible employee from this Fund on the basis of one fifty-second of his "yearly differential rate" which is based on the skill required for his job, the long-term volume of his production, and the quality of his work. A reserve fund of 32 percent of the annual

estimated income is maintained to insure regularity of weekly payments. The yearly differential is a flexible figure which can be increased if the Fund begins to accumulate unnecessarily large balances, or reduced if it appears that drawings are likely to exceed earnings.

The *Proctor & Gamble* plan covers all employees paid by the hour who have been in the company's service for a period of two years. Eligible employees are guaranteed work for 48 weeks per year, less time lost for holiday closings, disability because of sickness or accident, voluntary absence, and certain emergencies such as floods, fires, and strikes.

The plan has certain protective clauses which permit the company to transfer employees to other work (even to that paid at a lower rate), to change the number of hours constituting the established work week to which the guarantee applies, and to reduce the hours of guaranteed work to 75 percent of the standard work week in effect at each plant.

DISMISSAL PAY

Dismissal compensation has not been common in American industry although it is probable that workers in the future will be inclined to press for dismissal wage plans in their union contracts. In principle, dismissal pay can be best defended when applied to layoffs resulting from technological improvements, retrenchments involved in consolidations, and loss of jobs because of removal of plants to new localities. Under such circumstances the cost to the employer of paying dismissal wages becomes one of the costs involved in improvement of business operations, in contrast to dismissal compensation to those laid off because of slack work.

The argument for a dismissal wage plan for layoffs caused by changes in business operations is that the employer should give the same consideration to his employees as he does to the building and equipment which he is "scrapping"; that when he is weighing the relative costs of carrying on existing arrangements as against the costs and the anticipated gains from a change in operations, he include in the expenses of the change-over payments to the employees whom he will relinquish.

It can be argued that this would serve to retard business prog-

ress by making the cost of innovations prohibitive. This could be true if the amount of the dismissal wages involved were excessive. On the other hand, a plan which calls for reasonable amounts of dismissal compensation can be defended, not only on the grounds that the workers who are sacrificed for business changes are entitled to this consideration, but also that it may be sound social policy to deter some changes, or at least make them a bit more difficult. Many consolidations and many changes in plant location which take place are of questionable value so far as the long-time benefits to the economy as a whole are concerned. If a technological or other change has long-time advantages it will be adopted in spite of the somewhat higher cost of installation resulting from moderate payments to employees dismissed because of the change. In fact, dismissal wages may facilitate plant improvements by easing the incidence upon employees and thereby lessening their resistance to them.

Dismissal Wage v. Unemployment Compensation

Although dismissal compensation is designed to ease the burden resulting from unemployment, it is basically different from unemployment compensation or unemployment insurance. The latter may or may not be financed from a joint fund, whereas dismissal compensation is financed solely by the employer. Unemployment compensation provides weekly (or biweekly or monthly) payments for the duration of unemployment or for the maximum number of weeks specified in the particular plan. Dismissal compensation, on the other hand, is usually a lump-sum payment which is based on the employee's length of service, and it takes no account of the actual time lost before a new job is found.

Dismissal compensation is an indemnity to the employee for the final loss of his job; it represents a payment made for breaking a valuable relationship rather than reimbursement to cover a period of unemployment, and it is intended to compensate him for the loss of certain rights acquired on the job, such as seniority, vacation, pension, or retirement benefits.

Existing Plans

The amount of dismissal pay in almost all existing plans is based on the employee's length of service with the company and

his rate of pay during his employment. A week's wages or a month's salary is usually the unit for determining compensation, but most plans establish a limit on the amount payable in terms of either a number of weeks' or months' pay or a specified sum.

One of the first dismissal plans was established in a Chicago men's clothing company in 1926 to encourage a reduction in the surplus of cutters resulting from changes in manufacturing processes. Under this plan every cutter who relinquished his job was paid a dismissal wage of $500. About one-fifth of the cost incurred was borne by the union, and the rest by the firm. More recently, dismissal-pay plans have been adopted when large numbers of workers were to be laid off because of business consolidations or retrenchments. Outstanding examples of such plans are those provided for railroad, telegraph, and newspaper office workers, although scattered groups of employees in other industries also benefit from them.

Railroad Workers. Because of the fear of railroad workers that possible consolidation among the railroads under the Emergency Railroad Transportation Act would result in widespread layoffs, a nation-wide agreement was negotiated between the railroad unions and the carriers which established a plan for compensating employees laid off as a result of "coördination." Displaced employees are entitled to receive monthly payments for periods ranging from 6 months after 1 year of service to 60 months after 15 years' service or more. The monthly payment is equivalent to 60 percent of the employee's average monthly pay for the 12-month period preceding dismissal. Employees with less than 1 year of service receive a lump-sum payment equivalent to 60 days' pay at the straight-time daily rate for the last position held prior to loss of employment.

Telegraph Workers. Early in 1943, Congress amended the Communications Act of 1934 to permit the consolidation and merger of domestic telegraph carriers and made provision for dismissal pay to workers whose jobs were terminated as a result of the merger and for the continued employment of other workers. The amendment provided that employees of any merged company, who began work before a specified date, were to be assured employment for at least 4 years after the merger without reduction in compensation, and that any employee whose employment began

after the specified date and who was discharged as a result of the merger would at any time within 4 years after the merger be entitled to severance pay of one month's wages for each year worked.

Newspaper Guild. Severance pay is provided in almost all the agreements negotiated by the American Newspaper Guild covering employees (except those in mechanical trades) working for newspapers, wire services, news weeklies and magazines, radio stations, and allied fields. Under most of the agreements, dismissal pay is allowed for all dismissals except those for gross misconduct and neglect of duty, although under some there are no exceptions and payment is made regardless of the reason for dismissal. All the Guild agreements contain graduated plans in which the dismissal payment is based on earnings and length of service, most commonly one week's pay for every six months' or one year's service.

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CHAPTER 9

SELECTION, TRAINING, AND TURNOVER

WHEN CONSIDERING THE CAUSES AND CURES OF UNEMPLOYMENT, one usually thinks in terms of labor en masse, or the total number of jobs available in relation to the entire labor force. Within the broad boundaries of the total labor market, however, are numerous specialized labor markets differentiated by types of jobs and geographical location. Total business activity is comprised of hundreds of thousands of enterprises, and the total labor force includes millions of individual persons. Enterprises are located all over the country and their employment requirements call for varied aptitudes and skills. Likewise the composition of the labor force includes all kinds of persons with different abilities, ambitions, and training, who may or may not be living where the jobs they need or want happen to be located.

While the crucial problem of the general economy is to maintain an equilibrium between the total supply of and the total demand for labor, a mere balance in numbers does not of itself assure maximum labor utilization, nor does it insure the social stability and personal satisfaction ensuing from having people working at jobs for which they are best fitted. Many persons may be doing jobs for which they are not suited and do not like; a job misfit not only means indifferent and poor workmanship, but represents incipient labor turnover which usually results in a greater or lesser period of unemployment.

Irrespective of the over-all employment situation, there is always the problem of individual job placement. At any given time, thousands of men and women are seeking new jobs, and employers simultaneously are seeking replacements and additional workers. Some employers and workers have ready access to each other; others must depend upon an intermediary. A method for bringing

jobs and workers together promptly, with selective discrimination and in an orderly manner, is a basic requirement in any program to achieve maximum employment. Of equal importance are facilities for training young persons and retraining older persons for the jobs at hand.

JOB PLACEMENT

There are four avenues by which workers and jobs can be brought together: (1) direct application to the employer, (2) union hiring halls, (3) private employment agencies, and (4) public employment offices.

Direct Application to Employers

Regardless of whether applicants are referred to an employer by an intermediary agent or apply directly, the final selection is of course made by the employer. An employer's method of selection and his method of recruitment vitally affect the general employment situation, as well as the stability and efficiency of his own work force. Recruitment of labor by an individual employer tends to be wasteful for both himself and the applicants for jobs. Whether applicants are attracted by advertising in newspapers or apply without solicitation, the employer must usually spend time interviewing many more persons than he intends to hire. Likewise, applicants lose a great deal of time going from one plant to another on the chance of finding work.

So far as the general labor market is concerned, every group of applicants for jobs represents a pool of unemployment, and the number of such pools tends to increase in direct ratio to the number of recruitment centers. The situation was much worse a generation ago, when it was common practice to have each foreman in the plant do his own hiring.[1] In most companies today, the recruiting and initial selecting of employees take place in the plant's centralized employment or personnel office, the foremen or depart-

[1] During World War I when there were no government controls on transfers and hiring, many companies paid their foremen a fee of one or two dollars for each new employee they recruited. In some cases foremen in the same company entered into collusive arrangements whereby they would discharge employees at frequent intervals and send them to other foremen in the plant who collected recruitment fees.

ment heads having the right to accept or reject the applicants thus referred to them.

The employment manager is expected to be acquainted with all possible sources of needed types of labor and to know the best procedures for using each source. The employment office usually has at hand job specification charts showing the normal line of progression from job to job, individual employee records, and applications of desirable applicants. The department heads are responsible for making intradepartment upgradings before placing requisitions for new employees. Transfers and promotions involving changes from one department to another are handled through the company employment office in consultation with the supervisors affected. If seniority rules are in effect, the employment office maintains an up-to-date seniority roster.

In selecting new employees, chief reliance is placed upon personal interviews, but many companies supplement their interviewers' judgment with trade and aptitude tests. Trade tests attempt to measure what a person can do or has already learned about a job, while aptitude tests assist in determining the applicant's "learnability" for an occupation in which he has had no previous experience. The latter may include hand and foot dexterity tests, as well as general intelligence and temperament tests. Detailed job specifications, in which the elements of each job are ranked according to their importance, are used as the basis for such tests, each test being worked out especially for the particular job for which the applicant is being selected.

Physical examinations are also a recognized part of the employment process in many companies. Like the other types of tests, the physical examination is designed to eliminate the expense and waste involved in employing persons who are incapable of performing the work efficiently, as well as to prevent new workers from being assigned to tasks that are beyond their physical capacities. For some workers—for example, transportation employees and food handlers—physical examinations are also necessary for public safety and health. In addition to general physical checkups, some occupations involve special physical requirements, or at least the absence of the slightest impairment of certain particular faculties. Thus, a person who must match colors and shades must not be color-blind and must have good vision; telephone operators

must have good hearing; streetcar operators must have wide peripheral vision.

Although aptitude and general intelligence tests are useful in the selection of people for particular jobs, they are not the final measurement of potential effectiveness because they cannot definitively indicate an applicant's ability and willingness to acquire the necessary skills after being placed on the job. For putting the right person in the right job there is no mechanical substitute for careful interviewing by an intelligent, trained interviewer who knows the requirements of the job and has penetrating insight and sound judgment of human capabilities and temperament.

Union Hiring Halls

In some industries and localities employers rely upon unions for the referral of applicants. This is especially true in certain skilled trades, such as the building construction industry, where the unions have assumed much of the responsibility for providing employers with required labor. Also in a number of the clothing centers as well as for maritime workers much of the job referral is done through union hiring halls. The hiring of longshoremen and seamen through the unions was one of the first reforms which the newly organized unions insisted upon in the 1930's. Previously, hiring had been the sole prerogative of the ships' officers and longshore contractors, and had frequently been attended by graft and favoritism.

The assumption by the unions of the function of job assignment has developed because of certain peculiar characteristics of the industry or the local labor market. Although the practice of hiring through the union may lead to, and in fact signify, that the union has control of the job market for the industry concerned, union hiring halls are not established solely because of the unions' desire to assure one hundred percent union membership in the industry or trade. There are other reasons which seemingly benefit employers as well as the unions.

This is illustrated by the situation in the building construction industry where a dozen or more distinct job skills are required for short and irregular periods of time. Many construction projects are located miles away from the source of the labor supply; even though the required workmen may be close at hand, the project

may be in charge of an out-of-town contractor who is unfamiliar with the local labor market or the proficiencies of job applicants. Under such circumstances the local building-trades unions are in a peculiarly advantageous position to supply the necessary labor, for not only do they know who among the local membership is qualified for the various kinds of jobs, but if the local supply is insufficient they can get in touch with neighboring unions and have them send over some of their members. On many of the large construction projects undertaken during the recent war, many of which were located in isolated communities, skilled craftsmen were brought in from all sections of the country by the national offices of the building trades unions.

Where a union supplies workmen for the employer, the union assumes responsibility for the competence of its members, although the employer has the privilege of refusing to accept a workman if he considers him unqualified. For the union members, the union hiring-hall system makes possible an even rotation of jobs, which is a major consideration in industries where there is intermittent employment and frequent change of employers. The longshore hiring halls on the Pacific coast maintain detailed records of the work-hours of each member, and these are used as the basis of job assignment to see that all longshoremen receive approximately the same number of hours of work each month. In the maritime and building trades, the men register at the union offices upon the completion of each job and are referred to new jobs in the order in which their names appear on the roster.[2]

Private Employment Agencies

Private or commercial employment agencies antedate public employment offices and have continued in operation despite the establishment of a nation-wide system of employment exchanges administered by the government. Private employment offices are operated for profit and their income usually comes from fees and other collections levied upon applicants for jobs; very rarely are employers charged reciprocal fees. Hence, when an applicant goes to a private employment agency, he has to pay for its services in finding him a job.

[2] See chaps. 24 and 25 for a discussion of the impact of the 1947 Labor Management Relations Act upon union hiring halls.

Although some private employment agencies perform a useful function at minimum cost to persons seeking jobs, the social value and desirability of these agencies is open to question. Aside from the matter of fees, which in itself imposes a hardship upon the applicant,[8] private employment agencies sometimes indulge in practices which are detrimental to workers, to say the least.

During the period of heavy Italian immigration before World War I it was common practice for highway and railroad construction companies to get their unskilled labor through padrones, who not only recruited the workers but frequently served as gang bosses and had the privilege of charging the non-English-speaking immigrants for interpreters' fees, commissions for getting them jobs and keeping them from being discharged, and collecting other petty graft. The most serious abuses take place among migratory and seasonal workers recruited by "labor contractors" who operate across state lines and thereby escape the controls of state laws. Quoting a government report:

"Labor contractors may recruit workers in one part of the country for employment in some far-distant State. They have frequently misled workers on wages, hours, living and transportation costs and conditions, the length of the job, and on other vital matters. When workers find that they cannot keep the job, they are unable to secure a refund on the fee that they paid either because they have signed away their rights or they have no written agreement. They may travel some distance only to be discharged at the end of the week or month when their fee is paid out of their wages. That occurs over and over again because of fee splitting between the agency and the employer involved. . . .

"The system encourages agreements between employer and contractor that result in hardship to the worker. For example, the employer has nothing to lose if the contractor operates camps, stores, and transportation facilities with a high charge for poor service to the worker. Until the employer provides the money for the pay roll, workers may be forced to accept from the contractor checks, counters, scrip, tickets, and other promises-to-pay, redeemable only at his store or camp. When pay day finally comes, these workers often find all their wages eaten up by such credit. The contractor may disappear with the pay roll, leaving stranded workers in his wake. These abuses often leave workers

[8] In California for instance, job seekers pay over $1½ million annually to private employment agencies. This does not include theatrical and motion-picture employment offices, or agricultural contractors supplying workers for farm operation.

and their families high and dry, far from home, without funds to help them to a new start. They suffer lack of proper food and housing and become public charges, burdening relief funds and hospital facilities.[4]

Ever since the 1880's there have been attempts to correct these abuses by state legislation, but for many years such efforts were handicapped by the courts. In 1941 the United States Supreme Court reversed a previous decision and declared that the states had the right to exercise their police powers to regulate fee-charging employment agencies.[5] At present all but a few states have private employment agency laws[6] on their statute books, but some are quite limited in their effectiveness. Agencies which operate across state lines can be adequately regulated only by federal legislation; this has not as yet been enacted, although bills have been introduced into Congress from time to time.

Public Employment Service

The shortcomings of private employment agencies, as well as the growing sense of public responsibility for unemployment, led to an active movement for the establishment of a nation-wide system of public employment offices. The movement, which started early in the century, has had a checkered career. During the periods of acute unemployment, or when labor was extremely scarce as

[4] U. S. Department of Labor, *Private Employment Agencies,* Bulletin No. 57 pp. 16–17.

[5] *Olsen* v. *Nebraska,* 313 U. S. 236 (1941), which overruled *Ribnik* v. *McBride,* 277 U. S. 350 (1928). This is one of many illustrations of the change in thinking on labor and social problems which took place in the Supreme Court during the late 1930's. In the 1928 decision the Court had ruled that a state law fixing the maximum compensation which a private employment agency might collect from an applicant was unconstitutional under the due process clause of the Fourteenth Amendment. In the 1941 decision the Court said: "The statutory provisions in question do not violate the due process clause of the Fourteenth Amendment. The drift away from *Ribnik* v. *McBride,* supra, has been so great that it can no longer be deemed a controlling authority."

[6] Laws to protect workers from abuses of private employment agencies should be differentiated from the Emigrant Agent Acts, now on the statute books of at least ten southern states, which are designed to protect local employers against loss of their labor supply. These laws, most of which have been enacted since 1930, discourage migration of workers by requiring any person who recruits labor to pay annually to the state, *and to each county* from which labor is recruited, license fees ranging anywhere from $500 to $5000. The laws are very detailed and carry heavy penalties. For the texts of these laws, see U. S. Department of Labor, *Private Employment Agencies,* pp. 465 ff.

during the two world wars, public employment offices have received a great deal of publicity and support; but when the emergency has disappeared, popular interest has tended to decline and the public employment system has shrunk to mediocre proportions. There is evidence, however, that the system of public employment services has now reached maturity and, having survived the vicissitudes of indifference and numerous unsuccessful experiments, has become a permanent institution, with increasing responsibilities for the recruitment and placement of workers.

The first public employment offices in this country were city-administered; as early as 1890 five cities in Ohio were operating public employment offices which were partially supported by the state. Within twenty years nine additional states (Illinois, Missouri, Connecticut, Wisconsin, Michigan, Massachusetts, Colorado, Oklahoma, and Indiana) established state systems and several others instituted a "mail-order" type of labor exchange within the office of the state bureaus of labor. "But while the theory of placement work as a State function was thus gaining ground steadily, the system in practical operation could not be credited with conspicuous success. Some individual offices were efficiently operated and gained reputation and standing; in others the superintendent made no effort to do more than the minimum amount of routine which a political sinecure involved. The whole system was chaotic and planless, handicapped by political considerations, public indifference, and more important, wholly inadequate salaries and appropriations."[7]

The federal government made its initial entry into employment service activities in 1907 for the specific purpose of diverting immigrant labor from the port of entry into less congested areas where employment opportunities were greater. The Bureau of Immigration at first confined its placement activities to encouraging immigrants to go on farms; in 1915 the country-wide organization of immigration offices began to be used as general placement centers. Two years earlier, the Bureau of Immigration had become a unit of the newly created Department of Labor, one of whose statutory duties was to advance the opportunities of workers for profitable employment.

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[7] *Monthly Labor Review*, January, 1931, p. 13.

In response to war needs, the United States Employment Service was established in January, 1918, as a distinct unit in the United States Department of Labor, with sufficient appropriations for a greatly expanded program. Within ten months over 800 offices were established throughout the country. This was a mushroom growth, however. A year after the armistice, federal appropriations were almost entirely discontinued, largely because of pressure from private employment agencies and the National Association of Manufacturers, which claimed that the service was manned by union men or sympathizers and discriminated against nonunion labor, a charge the Secretary of Labor denied. Nevertheless, a system of coöperation with the state and city offices was maintained, the head of each state employment service acting as a federal director of the United States Employment Service as a dollar-a-year employee, with franking privileges and clerical services to facilitate the uniform collection of reports from the various local offices. Throughout the 1920's efforts were made to induce Congress to create an adequate federal-state employment system, and a bill to that effect was introduced every year until 1931, when it passed Congress but was vetoed by President Hoover.

One of the early actions of the New Deal administration was the passage of the Wagner-Peyser Act in June, 1933, establishing the present federal-state employment service. This act charges the United States Employment Service with the duty of promoting and developing a national system of employment offices, of maintaining a veterans' bureau and a farm placement service, and of assisting "in coördinating the public employment offices throughout the country and in increasing their usefulness by developing and prescribing minimum standards of efficiency, assisting them in meeting problems peculiar to their localities, promoting uniformity in their administrative and statistical procedure, furnishing and publishing information as to opportunities for employment and other information of value in the operation of the system, and maintaining a system for clearing labor between the several States."

No employment service, however efficiently administered, can create jobs and thus eliminate unemployment. But a nation-wide, adequate employment service can contribute to employment stability and to the maintenance of a high level of employment. The

United States Employment Service, as it is presently operating, seeks to achieve this by performing six major functions:

1. *Placement Service.* The fundamental task of a public employment system is to bring workers and jobs together, although the need for public employment exchanges varies between communities and employers. Such exchanges are especially useful to small employers with limited facilities for recruiting workers and evaluating their qualifications. They are likewise useful to large employers whose extensive labor demands require continuous access to the widest possible supply of labor, to employers engaged in seasonal or intermittent production who at the beginning of each work season are faced with the necessity of recruiting their entire work force, and to employers who need workers not available within normal or convenient recruiting distances of their establishments.

In small communities where there are few industries, and in large compact communities having a single industry or a small number of industrial plants engaged in similar types of production, only limited types of public employment service are needed. In a highly industrialized, heavily populated community, however, the labor market is usually so complex that an effective public employment exchange is essential, regardless of other organized methods for bringing jobs and workers together.

2. *Labor Market Analysis.* The United States Employment Service endeavors to collect and analyze for use in the local community all the labor market information, such as general employment trends and opportunities in various fields; shrinking and expanding industrial activities; the number and types of workers actually or potentially needed; the number and types of unemployed workers; community practices regarding the employment of women, youth, and veterans; local wage rates; opportunities for advancement in the principal industries; training needs for employment; and community facilities for accommodating or attracting additional workers. This information is useful to workers in providing them with a knowledge of where particular job opportunities exist, to those responsible for vocational guidance and counseling, and to employers for timing their expansion and contraction so as best to utilize the labor resources available.

3. *Employment Counseling.* The Employment Service tries to

provide in every community an employment counseling service for individual workers and potential workers and to assist in strengthening the counseling services of schools, places of business, and other private organizations. The objective is to assist the individual in making a practical and satisfactory occupational choice and in finding employment in his chosen field.

4. *Personnel Management Services to Employers.* The Service assists personnel and employment managers in private industry to evaluate the jobs in their plants and the skills and aptitudes of applicants, and to solve problems growing out of the working environment which cause labor turnover and instability.

5. *Services to Special Groups.* An important function of the public employment service, which it is peculiarly qualified to perform, is service to special groups such as veterans, handicapped workers, and young persons seeking their first jobs after leaving school. The Veterans Employment Service, a unit of the United States Employment Service, devotes its full attention to job counseling and the placement of veterans. By careful study of job requirements and of the qualifications of disabled veterans, as well as of those who have been injured in civilian employment, the Employment Service is able to place partially disabled people in jobs which they are able to perform despite their handicaps. Many of the local employment offices maintain junior placement programs under which specially trained counselors help young persons to understand their interests and abilities and guide them to occupations for which they are fitted, as well as interesting employers in utilizing young workers.

6. *Coöperation with Community and Other Government Agencies.* The Social Security Act and all state unemployment compensation laws require that persons claiming unemployment benefits must first register for work at a public employment office. The employment office, as indicated in Chapter 29, must not only apply the work test to benefit claimants, but also be familiar with the standards relating to suitable work and the procedures involved in taking claims. An aggressive placement activity by the Employment Office is very important in shortening the duration of unemployment of individual workers and thereby reducing the social and monetary costs of joblessness.

The Employment Service also assists federal, state, and mu-

nicipal government agencies concerned with the development of public works. Its labor market information indicates the location, volume, and characteristics of the surplus labor supply as well as prospective employment opportunities in all the important labor market areas. Government programs designed to alleviate unemployment or to avoid depressed labor market conditions are most effective when the location and timing of the proposed projects take into account available occupational skills and the extent to which private enterprise can utilize the available labor supply. When there is severe and continuing unemployment, the Employment Service assumes the responsibility of registering workers and certifying them for employment on public projects.

JOB TRAINING

The recruitment and selection of persons for particular jobs is only one phase of the employing process. Power machine industries as well as hand tool occupations require people with varied skills which need to be learned. Every year thousands of inexperienced young persons enter industry, and every year, too, thousands of older ones shift to new jobs which require skills different from those previously learned. Methods and adequacy of job training have an important bearing on workers' earnings, the rate of industrial progress, and the maintenance of stable employment.

Adequate job training promotes job efficiency and reduces labor turnover. It results in reduced fatigue through the elimination of unnecessary motions, in a reduction in spoilage and waste of materials and damage to machines and tools, as well as a reduction in accidents. To the individual worker, job training means a possibility of increased earnings and the personal satisfaction and self-confidence derived from the ability to do a job well; a knowledge of several jobs is a protection against unemployment. Industrial training can be provided within and by industry, or outside of industry through educational institutions, or by a combination of both.

Vocational Education

The American public-school system has played a vital role in the development of our industrial society, for modern industry is de-

pendent upon an abundance of people with education sufficient to enable them to become highly skilled and semiskilled workers. While public schools are primarily concerned with general education rather than specific occupational training, vocational education has spread rapidly during the past generation, especially since the passage of the Smith-Hughes Act of 1917, which provides federal financial aid to states for the maintenance of vocational schools.[8]

'Vocational education,' as construed by the United States Office of Education which administers the Smith-Hughes Act, 'means education given to boys and girls who, having selected a vocation, desire preparation for entering it as trained wage earners; to boys and girls and older wage earners who, having already taken up wage-earning employment, seek greater efficiency in it; and to wage earners who wish through increased efficiency and wage-earning capacity to advance to positions of responsibility.'

Currently more than one-half million persons are enrolled in the trade and industrial education classes of vocational schools throughout the country.[9] To meet the varied needs of these persons several types of schools, classes, and programs offering instruction of less than college grade are provided. In general these are evening trade extension, part-time day, and all-day trade preparatory. The all-day schools provide instruction in manipulative skills and technical subjects to youth from 14 to 18 years of age who have left school but are too young to enter employment. Part-time classes are of several types. The part-time trade extension program is for young persons who have entered occupations as apprentices and who need to supplement their on-the-job training with classroom instruction. The part-time trade preparatory program is for young persons who have left full-time school and entered employment, but who wish preparatory instruction in a different trade than that in which they are employed. For this type of youth there is also the general continuation school which provides instruction similar to that obtainable in the public

[8] The Smith-Hughes Act provided that federal money must be matched dollar for dollar by the states. Under the George-Deen Act of 1936 the states are required to match only 50 percent of the federal funds allotted to them.

[9] Another million and a half persons are enrolled for other kinds of instruction such as vocational agriculture, business, trade, and home economics.

schools. Evening industrial schools, also called trade extension schools, are for employed adult workers who wish instruction supplemental to their regular employment.

Learning on the Job

Vocational education at its best can never take the place of training on the job. Vocational schools enable young persons to discover and try out their aptitudes, to learn to use some of the basic tools of their chosen trade, and to acquire the fundamental disciplines of work—carefulness, precision, and thoroughness. Individuals with such general preparation, as well as the many more who never attend vocational schools, must learn the details of their particular jobs in the plant itself, and for this the employer assumes the responsibility.

Job training is essentially "learning by doing," and in most plants newly hired persons are taken to their machines or work benches immediately upon being hired. At their jobs they learn by observing others and from instructions given by their foremen. An increasing number of employers consider that this "pickup" method of job learning has certain deficiencies. The learning period is unduly prolonged, too many new workers become discouraged and quit or are discharged by impatient foremen, and wrong methods are acquired which are a permanent handicap to efficient production.

The alternative to "breaking in" on the job is short, intensive instruction by trained instructors away from the production line, the so-called vestibule training. Some of the advantages ascribed[10] to vestibule training are: (1) It eliminates productive time lost by skilled workers and by foremen when employees are trained on the job. (2) A larger number of trainees can be efficiently handled. (3) The conditions created within the training room make for quicker and more complete training. (4) The disturbances created in the plant when employees are trained on the job are eliminated. (5) The method of instruction is standardized. The one best method of performing an operation is taught and perpetuated. (6) Trainees are permitted to form working habits during the

[10] American Management Association, *How to Train Workers for War Industries,* Harper & Brothers, New York, 1942, pp. 65–66.

period of training. (7) Trainees are familiarized with the daily routine of the plant and with company rules and regulations before being placed on production. (8) Trainees' nervousness is eliminated or minimized, and accidents thus prevented. (9) The cost of hiring misfits is decreased because deficiencies are discovered early. (10) Breakage and waste of material and damage to machinery are minimized through constant supervision.

Teaching methods in vestibule schools vary, depending upon particular job requirements as well as company policy. In some plants the training is very informal; it is conducted in a corner of the workroom, with the trainees following the same routine as the other workers except that they receive close personal attention from their instructors. In other plants vestibule training is given in a separate room and instructions on the details of the jobs are supplemented by orientation lectures to inform new employees about the general affairs of the plant and industry, company policies, and so forth. Motion pictures are frequently used to illustrate right and wrong methods of job performance.

Apprenticeship Training

Apprenticeship is the training of beginners in the all-round skilled trades, that is, trades which take at least two years to learn. An apprentice is differentiated from a "learner," the latter applying to persons in repetitive occupations which require a relatively short time to learn. Apprenticeship is in its very essence a deliberate and organized system of training on the job—sometimes supplemented with classroom instruction—to which fixed rules are applied such as ratio of apprentices to journeymen, length of apprenticeship, and graduated wage rates during the period of apprenticeship.

Most of the skilled craft unions in the metal, printing, and building trades have assumed a major responsibility in the training of apprentices. There are several reasons why these unions have been willing to assume this responsibility instead of relying upon employers to train new workers. The unions' ability to guarantee employers a sufficient supply of competent, skilled workers has helped them in their collective bargaining; by establishing fixed training rules and procedures, the unions are able to maintain the skill and job standards which they consider of prime im-

portance; moreover, formal apprenticeship provides a means of regulating the intake of workers into the trades.[11]

While apprentice training programs rely chiefly upon learning on the job, they frequently include supplementary classroom or other off-the-job instruction. In former years a number of the unions undertook classroom instruction for their apprentices, but this was seldom satisfactory because of lack of equipment and able instructors. With the development of vocational schools as part of the public-school system, the classroom and laboratory training of apprentices has been largely taken over by the vocational schools which work in close coöperation with the local unions and employers. The usual plan is for an indentured apprentice to spend at least one day a week at school; by the end of his apprenticeship he not only has learned a skilled trade on the job but has received sufficient vocational and general education to secure a high-school diploma. In many communities the principal of the vocational school is in effect the director of apprentice training, under the plans and procedures sponsored by joint committees of unions and employers concerned with the particular trades taught.

To stimulate and promote apprenticeship under acceptable standards and under the safeguards and protections of formal indenture agreements, the Federal Committee on Apprentice Training was established in the Department of Labor in 1934; it is composed of union, employer, and government representatives, with a full-time staff financed by federal funds. The Committee has formulated a definition of the term "apprentice" and has recommended certain basic standards as essential to the all-round development of an apprentice. An apprentice is defined as "a person at least 16 years of age who is covered by a written agreement registered with a State apprenticeship council, providing for not less than 4000 hours of reasonably continuous employment, and for his participation in an approved schedule of work experience through employment, which should be supplemented by 144 hours

[11] During periods of expanding employment it has sometimes been charged that the scarcity of skilled workers was due to union restrictions and rules for admittance to journeyman status. Impartial studies have indicated, however, that the employers' reluctance to undertake the expense and responsibility of apprentice training has been a major factor. Many elaborate training programs have been curtailed a few months after being established because of employers' unwillingness to take on apprentices as slack seasons approach.

per year of related classroom instruction." The agreement must also specify a progressively increasing scale of wages for the apprentice, averaging over the entire apprenticeship period approximately half the journeyman's rate.

The written agreement includes a statement of the trade or craft being learned, the length of the apprenticeship, and the length of the period of probation—usually from three to six months—during which the apprenticeship may be terminated by either employer or apprentice. It holds the employer, the foreman, the journeyman, and the apprentice to the purpose of apprenticeship. More than any other device, it is an aid to the completion of the training period within the length of time specified.

Owing to ever-changing processes and improvements in machinery and materials, completion of the best kind of apprentice training is no guarantee of continued competence, and those unions which have assumed the reponsibility of providing skilled workmen for employers have had to face the problem of keeping the skills of their journeymen members up to date. Most commonly this has been accomplished by arrangements with individual employers whereby journeymen versed in old methods are given an opportunity to learn to operate the new machines after they are installed in the plant. In some instances, unions provide fellowships or otherwise assist their members to take classroom instruction to improve their job skills.[12]

The printing unions provide the outstanding examples of continuing programs for advanced training and technical research, as well as courses for apprentices. Not only do colleges and vocational schools use the texts and materials prepared by the educational bureau of the International Typographical Union, but the bureau also conducts correspondence courses for its enrolled apprentices which number between two and three thousand a year. The Printing Pressmen's Union owns and operates what is probably the largest technical trade school for printing in the world.

[12] An example was the program undertaken by the Brotherhood of Electrical Workers in 1944 for training members in the operation and maintenance of electronic equipment, by arrangement with the Engineering College of Marquette University in Milwaukee. The Brotherhood financed three 6-weeks' residence courses for about 200 members who in turn became instructors in night classes conducted by their locals and other trade schools for other members needing and desiring to learn the new technology.

This school not only conducts correspondence courses for apprentices, but provides facilities for journeymen members who wish to qualify for better positions by learning the most modern letterpress and offset processes.

LABOR TURNOVER

Labor turnover is the change in personnel in the labor force of a plant or company. It is usually indicated in terms of the number of workers hired and separated in relation to the average number on the pay roll. Labor turnover is most commonly considered as a problem of labor instability and therefore something to be minimized, although a certain amount of labor mobility is unavoidable and, under some circumstances, desirable for everyone concerned.

When considered in its broadest sense, labor turnover could be used as a title for a general treatise on labor economics, since the volume and causes of the movement of workers into and out of industrial establishments involve practically every problem relating to employment and labor conditions. For example, a major cause of labor turnover is irregularity of work resulting in involuntary layoffs, and many of the voluntary separations are the result of the workers' dissatisfaction with job conditions. These basic causes of labor turnover are discussed in detail in other chapters of this book; here we shall deal more with the volume, trend, and meaning of labor turnover.

Significance of Labor Turnover

Commented some early students of labor turnover:

> Labor instability is regarded by all those who have given any serious consideration to the problem as one of the maladjustments of our industrial life, wasteful and destructive of the potential man power of the Nation and a serious obstacle to the complete utilization of the country's productive forces. In tackling this problem it should be recognized at the outset that within certain limits labor mobility is a normal and necessary thing. A certain amount of shifting from shop to shop and city to city is quite normal and even desirable; part of this necessary movement of labor is an entirely natural ebb and flow resulting from the normal expansion and contraction of industrial activity. Interest in the question of labor mobility is centered, therefore, not only

upon its general extent but more specifically upon whatever part of it may be considered abnormal and unnecessary. When it is considered from this standpoint it is essential to know (1) the nature and extent of labor instability, (2) the various factors which are likely to increase or diminish its volume, and (3) whether any employment methods have been or can be devised which will make it possible to reduce labor instability to such an extent that maximum production may be attained at minimum cost and to the mutual advantage of employer and employee. . . .

In its relation to employer and employee this problem of labor instability becomes a more or less personal one and presents itself essentially in two aspects, depending upon whether it is the employee or employer who is concerned: (1) To the individual workman, job changing may mean either gain or loss. In prosperous times, when there are more numerous and attractive job opportunities, the change of jobs may represent an actual gain to the worker. . . . (2) The individual employer, however, is chiefly interested in the maintenance of a stable working force and regards excessively numerous terminations of employment, and especially voluntary or more or less avoidable separations, as a serious obstacle to efficient and continuous operation.[13]

Each employer thinks of labor turnover strictly with reference to the shift and replacement of workers necessary for the maintenance of his own labor force. Costs of labor turnover to the employer are both direct and indirect. There are the bookkeeping costs involved in taking persons on and off the pay roll, an item which has increased with the extra records and reporting entailed in the government social security programs. The greatest expense is that incurred in the interviewing, selection, and breaking in of new workers. For skilled jobs prolonged periods of training with special instructors may be necessary, but even for unskilled work the costs of replacement are not insignificant.[14] During this period

[13] Paul F. Brissenden and Emil Frankel, "Mobility of Labor in American Industry," *Monthly Labor Review*, June, 1920, pp. 36–37.

[14] Professor Slichter, after a first-hand study of labor turnover in 1913–1916, commented: "It is not true that common laborers do not go through a breaking-in process. A common shoveler, a ditch digger, a trucker, accomplishes much less at the beginning than after several days on the job. Moreover, where the work has been studied, it is possible to increase greatly the output of this class of labor by definite training. There is also a great difference in men. A gang of carefully selected permanent yard laborers is much more valuable than a gang picked up on short notice from those readily available. The temporary character of work which makes impractical the maintenance of picked

of training and breaking in, the new employee's output is naturally low, causing an increase in unit labor costs. In former years much of this cost was at the worker's expense, for it was common practice in many piecework industries for learners to receive pay only for their actual output, and in time-work industries for learners to receive only a few cents per hour. Under existing state and federal minimum wage laws, more of this cost of learning is borne by the employer.

In addition to the direct costs of hiring and training are the hazards of greater spoilage of materials and wear and tear on machines, possible delays in deliveries, increase in accidents, and the expenses incident to underutilization of plant equipment, tools, and machinery, and increased supervision. Industrial engineers have computed that the replacement of an unskilled worker costs the employer anywhere from $50 to $100 and of a skilled worker from $100 up to $1000 or more.

Trend in Turnover

Since the beginning of the scientific management movement, which aroused employers to a consciousness of the costs involved in the hiring and training of new workers, the causes and extent of labor turnover have been a major concern of management. This was especially true, for reasons discussed later, during the years before and following World War I. Studies made before that war indicated that a machine shop in Pittsburgh hired 21,000 persons in a single year in order to maintain a force of 10,000; that the coal mining industry hired 2000 men a year for every 1000 permanent positions;[15] that twelve metalworking establishments during the year 1912 employed 6⅓ times as many people as constituted the permanent increase in the force at the end of the year;[16] that the average annual rate of turnover in 90 New York garment shops was more than 230 percent; and that the annual rate of

gangs of trained laborers is a real cost because it increases the expense of doing the work." (Sumner H. Slichter, *The Turnover of Factory Labor,* D. Appleton & Company, Inc., New York, 1919, p. 5.)

[15] John R. Commons, *Wage Earners of Pittsburgh,* Charities and Commons, The Charity Organization Society, New York, 1909, vol. xxi, p. 1054.

[16] Bureau of Labor Statistics, Bulletin No. 227, Government Printing Office, Washington, 1917, p. 16.

terminations among 105 other industrial establishments was 100 percent, varying from 348 percent down to 8 percent.[17]

Labor turnover mounted yet higher in the tight labor market of World War I when there were no government controls on the movement of workers such as existed in World War II. In a study of 260 establishments it was found that, on the average, there were more than four labor changes for each full-year worker. This was as if during the year all the employees in these establishments had left their jobs, an entirely new set had come in to fill their places, and afterward all the employees in this second set had left their jobs and had in turn been fully replaced by a third set of workers.[18] The costs, in terms of dollars and loss in production resulting from such excessive wasteful turnover during critical war years, can only be left to the imagination. It is not surprising that, as described earlier in this chapter, the government took forceful measures when a similar situation threatened in World War II.

During the decade following World War I, many employers took definite action to reduce their turnover. It was a major subject of discussion at most of the industrial managers' conferences held during the 1920's, and improved personnel practices, badges and bonuses as rewards for long service, and recreational and benefit programs were advocated and justified as measures for reducing the high cost of labor replacement. The money cost of a high labor turnover stood second only to the fear of unionization as a motive for installing welfare programs to win employee loyalty and continued service.

Decline in Quit and Discharge Rates

The rate of labor turnover includes all separations of employment, regardless of cause. The number of layoffs during any given year depends to a large extent upon economic conditions and the seasonal nature of the work, subjects which have been discussed in earlier chapters. Separation rates also include workers who voluntarily quit their jobs and those who are discharged for other causes than lack of work. Some so-called "voluntary" quits are for personal reasons—marriage, family responsibilities, health,

[17] Slichter, *The Turnover of Factory Labor,* pp. 19–21.

[18] Brissenden and Frankel, "Mobility of Labor in American Industry," p. 42.

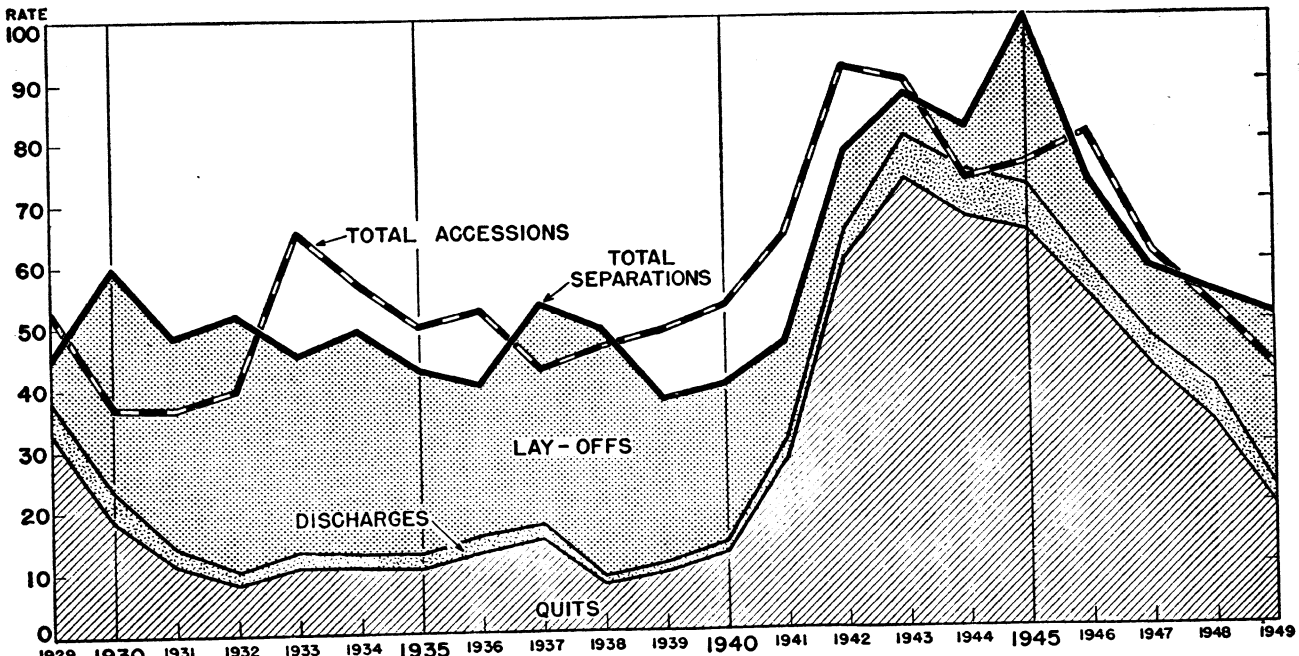

FIG. 16. *Annual Turnover Rates, 1929–1949. During the war years the quit rate includes departures for military service. (Source: Bureau of Labor Statistics.)*

and so on. Many are due to other reasons, and these, together with discharges, are primarily problems of labor relations. The proportion of workers who quit for personal reasons does not vary greatly from year to year,[19] so any considerable change in the rate of all voluntary quits and discharges can be assumed to be in response to changes in labor relations and working conditions.

Of major significance is the fact that during recent years there has been a marked decline in the rate of voluntary quits and discharges. Ignoring abnormal war and depression periods for comparison, available statistics indicate that before World War I the voluntary separations constituted 75 percent and discharges about 17 percent of the total separations;[20] during the relatively normal period, 1928–1929, voluntary separations included almost 70 percent and discharges about 12 percent of the total separations. In contrast, during 1938–1939, only 20 percent of the total separations were voluntary quits and less than 3 percent were the result of discharges. (See Table 10.) From all present indications this decline represents a permanent trend. (The rate increased during and following World War II but this was due to departures for military service and to the abnormal fluidity of the labor force. Many women, for instance, who accepted employment during this period left their jobs to resume the care of their homes. Discharge rates were high because of the unusually large number of new, probationary employees.)

What has brought about this drastic reduction in voluntary quit and discharge rates? The answer seems to be the recent extension in the unionization of workers. Through collective bargaining and by indirect influence, unions have succeeded in obtaining changes in working conditions and management practices which tend drastically to reduce both discharges and the individual quitting of jobs. Although incited by different motives, the organized efforts of workers seem to have been more effective in reducing turnover than the employer welfare and personnel programs which preceded unionization.

[19] Unfortunately, there are no adequate statistics by specific cause of voluntary quits. Even if figures were available, they would not be conclusive. For example, a worker may cite health as his reason for quitting his job but accept another kind of job, or even the same type of work in another plant where he considers conditions more advantageous to his physical well-being. Such a quit might just as well be attributed to working conditions as to health.

[20] Brissenden and Frankel, "Mobility of Labor in American Industry," p. 41.

The seeds were germinated during the depression years of the early 1930's. The influence of this depression upon the attitude and will of workers might well be compared to the change in popular thinking wrought by the closing of free lands in the Middle West and West a half century earlier. Each marked the end of an era dominated by a spirit of pioneer restlessness, of faith and hope that individual advancement could be found through a change of location or environment. Both caused the awakening of a determination to obtain improved economic status in the immediate environment rather than in distant places.

When there were no further opportunities for settlement on free lands, when the slogan "Go West, young man" ceased to have a practical significance, then the farmer, laborer, professional, and small businessman turned to political and social reform to protect and promote their well-being.[21] When the general mass of workers, skilled and unskilled, experienced the shock of prolonged unemployment, when "Get a better job if you don't like this one" proved to be illusory more often than not, then the majority of workers became convinced that a united effort toward the improvement of their present job conditions was a safer solution than individual roving in search of new and better jobs.

Influence of Unionization on Quit and Discharge Rates

Specifically, these efforts have been directed toward three major objectives: (1) contractual rights to jobs based on relative seniority; (2) machinery for redress of individual grievances and

[21] This spirit of reform which swept the country from the time of the "Great Commoner" Bryan to President Wilson's second term is vividly portrayed by the historians Nevins and Commager: "It was marked by revolt and reform in almost every department of American life. Old political leaders were ousted and new ones enlisted; political machinery was overhauled and modernized; political practices were subjected to critical scrutiny, and those which failed to square with the ideals of democracy were rejected. Economic institutions and practices—private property, the corporation, the trust, great fortunes—were called before the bar of reason and asked to justify themselves or to change their ways. Social relationships were reconsidered—the impact of the city, immigration, inequalities in wealth, the growth of classes, all came in for critical attention. . . . Hundreds of societies to do good sprang up and flourished. The presses groaned with books exposing the iniquities of the present order and presenting blueprints for a better one. . . ." (Allan Nevins and H. S. Commager, *America: The Story of a Free People,* Little, Brown & Company, Boston, 1942, chap. 17.)

injustices; (3) improvements in general working conditions through collective pressure and influence. How labor unions seek to accomplish these objectives and their measure of success will be taken up later, but it is pertinent to the present discussion to indicate how these objectives have affected labor turnover.

The right to jobs is expressed in the seniority rules which are now prevalent in union-employer agreements. The aim of these rules is to afford the maximum job security and reward to those who have rendered the longest service to their employer. In respect to employment tenure, the rules specify that the oldest employees shall be the last to be laid off and the first to be reëmployed. In respect to promotion opportunities, choice of work assignments, and other privileges, they specify that relative length of service shall be a major consideration in the selection of the employees to be benefited.

Strict seniority rules result in some disadvantages to both workers and management, as is discussed in Chapter 25. But the application of such formalized and objective rules eliminates the possibility and fear of favoritism and discrimination in the various phases of the employment relation, and thus tends to reduce discontent. An employee who is assured of his progress up the promotion ladder so long as he continues to give satisfactory service is not likely to turn elsewhere for a better job. Seniority rules have a two-way impact: A worker not only hesitates to lose his accumulated seniority by transferring elsewhere, but he finds it harder to secure employment in another plant because the present employees of that plant also have established seniority rights which tend to minimize the number of available openings.

Formerly the only recourse for a worker who had a real or fancied grievance against his employer or working conditions was to quit his job. Likewise, if his employer held a real or fancied grievance against him, he had no recourse against summary discharge. As indicated in a later chapter, practically all union-employer agreements now provide formal machinery, with final referral to outside arbitration if necessary, for the appeal of discharges and the adjustment of employee grievances. Redress of grievances *on* the job has greatly reduced the need and desire for *changing* jobs, and this has been a major factor in the recent reduction in the voluntary quit and discharge rates.

Improvements which have already been made in conditions of work, together with the employees' conviction that they should stick together and hold on to their jobs while pressing for further improvements, have materially contributed to a lessening in turnover. (The latter, of course, tends to substitute strike action for individual quits, but usually involves no permanent separations from jobs.) One of the important changes in working conditions which has had an influence on turnover has been the shortening in hours of work. The accumulated fatigue and boredom of the 9- or 10-hour day and the 6- or even 7-day week which were prevalent throughout industry in years past, caused many workers to quit their jobs at frequent intervals in order to get a few weeks' rest and a change of environment in a new job. Improved safety and health conditions have also had their influence, both physical and psychological, for labor turnover tends to be greatest on unattractive, dangerous, and onerous jobs.

Labor Turnover Statistics

The term "labor turnover" is generally used to refer to the whole phenomenon of the movement of labor into and out of industrial establishments, although sometimes it is used in a more restricted sense to indicate the rate of necessary replacement, that is, the number of positions vacated and filled per 100 employees. According to this restricted meaning, if a plant is reducing its force, the net turnover would be equivalent to the rate of hirings or accessions; if the plant is increasing its force, the net turnover rate would be the same as the separation rate because all these vacancies have to be filled. Such a concept of turnover is based on the principle that only the costs to the employer involved in immediate replacements are pertinent; it ignores the incidence of turnover upon workers and the public, as well as the future costs to the employer of having to fill vacancies when production picks up.

The monthly reports currently issued by the Bureau of Labor Statistics[22] present labor turnover rates under two major classi-

[22] As indicated earlier, the first of a number of special studies on labor turnover was made as early as 1906. In response to the growing interest in turnover, the Metropolitan Life Insurance Company in 1926 began issuing regular reports on a national basis. In 1929 the Bureau of Labor Statistics took over the

fications, *separations* and *accessions*. Under *separations* there are four classifications: voluntary quits, involuntary layoffs, discharges, and miscellaneous. As used by the Bureau, a *separation* is the termination of employment of any of the following types: A

TABLE 10. Annual Turnover Rates (per 100 Employees) in Manufacturing Industries, 1928–1949[23]

Year	Total Separation	Voluntary Quit	Layoff	Discharge	Military and Miscellaneous[a]	Accession Rate
1928	37.1	25.8	6.5	4.8		44.5
1929	45.2	32.6	7.2	5.4		52.3
1930	59.7	18.7	35.9	5.1		37.1
1931	48.4	11.4	34.3	2.7		36.6
1932	52.0	8.3	41.7	2.0		39.8
1933	45.4	10.7	32.2	2.5		65.2
1934	49.2	10.7	36.3	2.2		56.9
1935	42.7	10.4	30.0	2.3		50.0
1936	40.3	13.0	24.7	2.6		52.2
1937	53.1	15.0	35.8	2.4		42.6
1938	49.2	7.5	40.5	1.3		46.2
1939	37.7	9.5	26.7	1.5		48.9
1940	40.3	10.9	25.9	1.8	1.6	52.7
1941	46.7	23.6	15.9	3.0	4.2	64.5
1942	77.9	45.2	13.0	4.7	15.0	91.7
1943	87.2	62.3	7.0	7.1	10.8	89.6
1944	81.8	61.0	7.2	7.7	5.9	73.2
1945	99.7	61.0	27.7	7.3	3.7	75.3
1946	73.0	51.5	14.4	4.9	2.2	80.2
1947	58.1	40.4	11.4	4.8	1.2	61.5
1948	54.3	33.5	15.0	4.6		52.0
1949	50.9	19.7	28.4	2.8		42.1

[a] Prior to 1940 and after 1947 included under Quits.

quit is a termination initiated by the employee, regardless of his reason which may be dissatisfaction with hours, wages, working conditions, the obtaining of a better job, or any other reason.

task of collecting monthly turnover data, gradually enlarging the number of reporting concerns and industry coverage. At present, the Bureau's turnover reports are based on information received from approximately 8000 establishments employing about 4 million workers, which it considers to be a representative sample.

[23] From Bureau of Labor Statistics reports in *Monthly Labor Review*, various issues.

A *discharge* is a termination initiated by the employer, with prejudice to the worker, for such reasons as incompetence, violation of rules, etc. A *layoff* is a termination initiated by the employer, but without prejudice to the worker. A short furlough during which the name of the worker is retained on the payroll is not regarded as a layoff, nor are suspensions of operations during inventory and vacation periods. All other separations, whether caused by lack of orders or materials, breakdown of machinery, release of temporary help, introduction of labor-saving machinery, etc., are considered layoffs. (It is noted that this definition of layoff may lead to some distortion in the general layoff rate because, under certain conditions, some companies may furlough an employee but keep him on the payroll while other companies under the same conditions may remove him from the payroll.) The *miscellaneous* group of separations includes those due to death, permanent disability, retirements on pensions, and separations for military service.

The Bureau of Labor Statistics' data do not reveal some of the significant aspects of turnover such as comparative quit rates by size of plant, types of jobs, and different groups of workers involved, and the proportion of the accession rate represented by new hirings compared to the rehiring of former employees. There is no information available showing the relative turnover rates of large versus small plants; the proportion of the turnover among new employees, for instance, those of less than a year's service; young persons compared to mature workers, skilled workers to unskilled. For a comprehensive picture of the stability of a labor force, one should know what workers have *not* changed as well as the number of changes which have taken place. A turnover rate of 100 percent may indicate a complete turnover of the entire force or a change of one-tenth of the force ten times during the year. This, of course, is important in a consideration of the costs involved or of the means for reducing turnover. For example, the total separation rate of 99.7 indicated in Table 10 for the year 1945 does not mean that almost all employees changed their jobs that year. It is probable that even in that year of labor mobility a majority of the workers remained with their same employers throughout the year, and that the high rate was due to three or four changes in personnel on 25 or 30 percent of the jobs.

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Part Two

Wages and Hours

CHAPTER 10

THEORY OF WAGES

IT IS FREQUENTLY SAID THAT WE LIVE IN A WAGE ECONOMY, WHICH means that a majority of the people at the present time live under a system whereby fixed amounts of money are paid and received for work performed. In the past, and to some extent today, the means for living and for procuring the services of others was not primarily through a system of wage payment. People *can* live and work *can* be performed without the process of a money transaction. Each individual (or family or clan) may procure all his food, clothing, and shelter from natural resources directly at hand; or he may produce a surplus of certain goods and barter or trade these for items he does not or is not able to produce for himself. Under a slave or serf system, a minimum subsistence in kind is provided the slaves and serfs by the masters or lords who enjoy the fruits of their labor. In a simple handicraft system, the independent artisan or craftsman markets the products which he himself has made with his own tools.

Under none of these modes of living are wages, as we conceive them, paid or received for work performed or commodities produced. What are the distinctive features of a wage economy and how did our present wage system come about?

PRECURSORS OF THE WAGE SYSTEM

Obviously, it is only under the most primitive pastoral or agricultural conditions that an individual or family can be entirely self-contained, and under such conditions the kind and amount of food, clothing, and shelter depend almost entirely upon the immediate natural environment. There is no division of labor except as among members within the family, no tools except those the individual himself is able to devise and make, no specialization in the use of land and other resources beyond the narrow confines in each family's possession.

A limited degree of specialization, and hence a broadening of the kinds of goods made available to each person, is afforded when there is bartering of commodities between individual producers. The variety of goods which can be exchanged, however, is almost entirely limited to the things which can be produced within a single market area, for with no medium of exchange (money) any interexchange of goods among several markets is all but impossible. There are also other limitations, aside from the factor of market area; the two parties must each have goods which the other wants and in amounts which the traders consider of equivalent value.

Under the self-contained family or household economy and simple barter system there is no wage problem, for no one works for another or hires another to work for him. Each family or local community lives on what it itself produces, and its economic well-being is dependent entirely upon what use it makes of the bounties and scarcities of its immediate natural environment. While remnants of these primitive forms of living remain in the world today and tend to revive during periods of social breakdown, such as extreme inflation occasioned by wars, from the earliest recorded times there has existed some form of economic interdependence between communities, and some specialization of tasks among individuals.

Slavery

One of the earliest divisions of activities was between the warriors who fought for the land and those who tilled the land. This division of "labor" projected itself throughout the entire social, legal, and economic pattern of living until the beginning of the commercial and industrial age, for the warriors not only assumed ownership of the land but also became the masters and owners of those who worked the land.

Slavery as a system of labor has existed to a greater or lesser extent throughout the period of recorded history. Most of the slaves were captives of war and their descendants; some were persons who were kidnaped by piracy; others were in bondage because of unpaid debts and criminal offenses.[1] While slaves in medieval

[1] Most of the Greek and Roman slaves were captives of war. There was considerable acquisition of slaves by conquest during the Crusades. The Celts and other natives of Britain were enslaved by the Anglo-Saxon invaders. Capture

Europe and the United States were used mostly, although not entirely, for agricultural labor, in ancient Greece and Rome they were used in the skilled trades and even the professions; many Roman lords were taught to read and write by their Greek slaves.

The slave was a form of capital for his owner, who used him directly or lent him for a price to a third person. The owner fed the slave as much as he considered necessary to keep him working efficiently. When the supply of new slaves was plentiful and cheap the master could afford to feed his slaves little and work them quickly to exhaustion; when conquests slowed down and slaves became scarce, they were better cared for—perhaps even to the point where they were able to rear families and provide their masters with additional slaves.

All the time of the slave was at his owner's disposal. The master's income was dependent upon the number of slaves he owned and the extent to which the sale of the goods they produced, or the fee obtained when they were hired out to others, exceeded the outlay for their subsistence. The slave himself was a person with no legal or social rights; his very existence and subsistence depended upon whether his owner considered him sufficiently valuable to keep alive; the amenities and comforts of life could not be secured

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of slaves by piracy reached its peak in the Barbary States in the 17th century, when many Europeans were sold into Mohammedan captivity. The enslavement of African Negroes in this country is well known; not so well remembered is the prevalence of white servitude during our colonial and early national history. This involved the indentured servants who came or were brought to the New World under contract for a stipulated period of time, commonly seven years, in return for their keep and in payment of their transportation. During the 17th century shipowners openly kidnaped English children and adults; it is claimed that in 1627 over 1400 children, mostly from almshouses, were brought into Virginia alone; between 1717 and 1775 at least 50,000 political and criminal prisoners were sent from British jails. Unlike other forms of slavery, however, these indentured servants were freed after their stipulated period of service, and to help them get established their masters gave them "freedom dues" of a few dollars, plus a suit of clothes and a few tools. See Smith, Abbot E., *Colonists in Bondage: White Servitude and Convict Labor in America, 1607–1776,* University of North Carolina Press, Chapel Hill, 1947.

It is perhaps erroneous to speak of slavery in the past tense for recent years have witnessed a resurgence of enslavement of civilians captured by military conquest by the Germans during the recent war, and a new form of slavery, namely, the forced labor of masses of people by authoritarian governments for political or other reasons. See David J. Dallin and Boris I. Nicolaevsky, *Forced Labor In Soviet Russia,* Yale University Press, New Haven, 1947.

as a reward for labor but were contingent entirely upon the disposition of his master.

Serfdom

Serfdom, a milder form of slavery, was an integral part of the manorial or feudal system which prevailed in western Europe during the Middle Ages and in parts of eastern Europe late into the 19th century.[2] The manorial system served a twofold purpose: It provided a military organization for defense and conquest and it also provided a means for the cultivation of the soil. Each manor or estate, which averaged perhaps 5000 acres, was largely a self-sustaining economic unit except for trinkets, salt, and spices bartered at the annual fairs. Most of the work of tilling the soil was performed by serfs who were not personal or chattel property like slaves, but were legally attached to the estates on which they were born. A serf could be transferred along with the property to other owners, but he could not leave the place in which he was born, or change his accustomed work, without the consent of the lord of the manor. Although he did not own the allotment of land which he cultivated, he was entitled to it by usage and could appeal to the manorial court for redress if necessary.

The ordinary allotment to a serf was about 30 acres, usually assigned in half-acre or acre strips from different parts of the estate in order that each should receive a share of both good and poor land. Allotments were paid for by labor, the amount being fixed by immemorial custom. For two or three days a week throughout the year each serf worked on the portion of the land which the lord retained for himself; in addition there was "boon day" work—one or two weeks of continuous work during the plowing and harvesting seasons—as well as the special presents and services required at stated seasons and occasions.

The serf, generation after generation, was doomed to a life of subservience and to hard and monotonous work. With no exchange of goods and no stimulus to competition, he produced and consumed the same products year after year, used the same tools and the same methods which his father and his father's father had used. In recompense, the serf had security; no employer could discharge

[2] The German states abolished serfdom in 1806–1812; the Russian decree for the emancipation of the serfs was passed in 1861.

him or landlord evict him. Although half his time was spent working for his lord, what he produced on his own allotment was his own and there was no intermediary between the products of his labor and the commodities he consumed.

The manorial serf system had its roots in an agricultural economy at a time when transportation facilities were poor and travel was dangerous, when there was a scarcity of money and other forms of wealth that could be saved or easily transported, and when there was no strong central government to afford military protection from invaders. In theory, the lord of the manor furnished the military protection in return for the labor of his serfs

Transition to the Wage System

Contemporaneous with the serfs in the country were the artisans or craftsmen in the towns which grew up during the latter part of the Middle Ages.[3] These urban centers facilitated trade and thus encouraged specialization in the use of skills and work time. Although manufacturing was in the handicraft state, being performed with simple hand tools, each worker or family could specialize in one product because the towns afforded opportunities for trade and the exchange of surpluses. With the wider use of money as a medium of exchange,[4] it was not necessary to barter surpluses; each artisan could sell his product at a fixed price. The artisan's income represented the difference between what he paid for materials and the price he obtained for the products he sold. The work done by these craftsmen was not paid for in wages, for they worked in their own shops with their own tools. The apprentices who assisted them in return for instruction in the "mysteries" of the trade were provided their keep in their masters' homes, and when their apprenticeship periods were completed their masters helped them set up their own shops and frequently provided them with kits of tools.

The artisan-apprenticeship system of production and market-

[3] Many of these towns originally were parts of the manors upon which they were located, but later won or purchased their freedom. Some gained their freedom through alliance with rising kings who were seeking dominance over other lords.

[4] Money came into general use as gold and silver mines were discovered, and as centralized governments were established which could determine monetary units of value and regulate the coinage of money.

ing continued as long as simple tools were used and market areas were limited to the surrounding countryside and neighboring towns. As tools were improved and became more costly, when markets expanded and required more money and time for the buying of raw materials and the selling of finished products,[5] another type of specialization became necessary which added to the complexity of economic transactions and greatly extended the wage system.

The artisan represented a division of labor by the type of goods produced (shoemaker, weaver, etc.), but he performed all the functions involved in making the particular product and getting it into the hands of the consumers. There was no intermediary between production and the sale of his product, and the selling price did not have to include the cost and upkeep of expensive machinery. When improvements in methods required capital investment in machinery and larger shops, separated from the home, to work in, the artisans who had the money became master craftsmen who employed journeymen for fixed wages. As markets expanded, the master craftsmen began to depend upon traveling traders to furnish them with their raw materials and to market their finished products. In time, some of these traders expanded their functions and became managers of production enterprises as well as merchants of materials and finished products. Some established shops where a number of workmen were employed under a single roof. More frequently, before the advent of power machinery, the merchant-employer distributed his raw materials to numbers of masters who produced the finished products on a contract basis. The masters, in turn, employed others to help them, either in their own homes or in the master's home or nearby small shop.

Under this so-called "cottage" system of production, there was one middleman, and frequently two, between those who actually made the product and the purchasers of the product—between the "price" paid for the labor and the price paid by the consumer. The master was no longer an independent artisan making and selling the goods he produced, but a journeyman or journeyman-foreman working for a merchant capitalist. He was, however, in a somewhat different position from the modern wage earner. Since the work was performed in his own home or work place he was not

[5] The discovery and settlement of America provided a powerful impetus to the development of new markets and the extension of trade routes.

subject to fixed hours or work rules, other than those affecting quality of performance, and he was paid on a contract basis which allowed him a "margin" which he could appropriate if he was able to get the work done at less than the contract price. However, those whom he employed, whether on a piece or a time basis, were wage earners, even though they did their work in their own homes and used their own hand tools.

Effect of the Industrial Revolution

Although the wage system preceded the Industrial Revolution, it was the introduction of power machinery and the factory system of production which created a large class of workers who were entirely dependent upon wages for their living. When work was done with tools in the home or in a master's nearby shop, money wages could be supplemented with food from the workers' gardens or small farms. Independent hand craftsmen, no longer able to compete with cheap machine-made products, were forced to join the ranks of the wage earners. These ranks were further augmented by hordes of children as soon as employers found that they could be used on machines which required no skills.

The basic and fundamental economic change was the shift in the importance of capital investment relative to labor in the manufacturing process, and the complete separation of the worker from the ownership of the instruments of production and the disposal of the product. This brought forth the unresolved question between workers and the owners of capital as to the amount each contributes to the joint product, and how each shall share in the proceeds.

MEANING OF WAGE THEORY

"Theory" is defined by Webster as being "a general principle, formula, or ideal construction, offered to explain phenomena and rendered more or less plausible by evidence in the facts or by the exactness and relevancy of the reasoning." Early economists were inclined to consider their ideas and beliefs as ultimate truths, and to label their explanations as "natural" or "iron" laws. By "natural" they implied something God-given, something morally right and not to be tampered with by man except at the risk of great peril and final devastation. They did not think of "natural" eco-

nomic laws in the way we consider physical phenomena, that is, as something existing but not necessarily to be left in their natural state of operation. For example, the natural law of gravity is accepted as a working basis for engineering developments; although water naturally flows downward we do not hesitate to pump it upward.

Present-day economists who have seen many of the presumed "natural" laws of economics refuted or drastically modified by further evidence and developments are inclined to speak in terms of *theories*, and to recognize the possibility that a theory which may seem valid at one stage of economic development may be inapplicable under a different set of circumstances. Theories, therefore, must be treated as tentative assumptions in the quest for truth. Their usefulness and validity rest upon whether or not they have taken into account *all* the existing realities and factors, and given each one its proper weight.

Inherent Weaknesses of Economic Theories

Economic truths are difficult to discover because of the inherent problem of having to segregate and properly evaluate the primary long-time factors from what appears to be true during the period studied, the "period" being an entire economic or industrial era which may extend over several generations. Economic theory, in other words, must recognize and dissociate the basic phenomena from the institutional setting in which they happen to be operating, and account for the interaction of both. The test of any theory is whether or not it has accurately balanced the *variable* factors against those which are *constant*. If a theory is postulated on an assumption that some factor is fixed or constant, when in fact it is transient and a result of temporary influences, obviously the theory lacks validity and is merely a description of transitory conditions.

The difficulty in economics, as well as in other social sciences, is to segregate the variable from the constant. The social sciences deal with the attitudes and behavior of people who are influenced not only by their own physical, psychological, and environmental situations, but by the customs and beliefs of preceding generations. A factor or condition may be assumed to be constant because it has existed throughout an historical period; but a revolutionary

change in the economic environment, whether gradual or sudden, violent or peaceful, may prove that what was considered fundamental and everlasting was a condition peculiar to a given set of circumstances. What are proclaimed as immutable principles may be only partial truths at best, and applicable only to particular periods of human history.

In spite of their pitfalls, theories have their place in an attempt to understand economic phenomena and business behavior. Although no one theory provides a complete explanation, a chain of successive theories carefully worked out over a long period of time, each an outgrowth and further development of the preceding, is likely to contain elements of lasting truth.

Wage Theories and General Theories of Distribution

Theories of wages, with which we are here concerned, deal with the payment of labor employed in competitive enterprises. Wage theories in a noncompetitive economy, such as state capitalism or communal socialism, would of course be based upon entirely different concepts. In a "free" capitalistic economy, wages represent the payment of one of the factors involved in production. Since the problem turns on the question of the sharing or distribution of the total income derived from productive enterprises, theories of wages cannot be dissociated from the other factors of production.

As indicated previously, it is the *indirectness* of modern business activity that gives rise to the perplexing problems concerning the sharing of the goods produced or, practically speaking, their money equivalent. Direct labor, land sites and use of the soil, machinery and equipment, managerial planning and direction—all contribute to the joint output and there is no way concretely to separate the contribution of each. Moreover, the capital investments—the buildings, machinery, and equipment—were themselves made with labor, and in this roundaboutness there is no way statistically to distinguish the product of labor from that of the other factors in the productive process.

Wage theories, therefore, are inextricably interwoven in general theories of distribution since they deal with the problem of how the total income from a business enterprise is distributed or apportioned among all the so-called agents or factors which contribute toward producing that income. Theories of wages must

necessarily deal with the interrelationships of the prices paid for or the value placed upon land (rent), capital (interest), and capital risk (profits), as well as the wages of labor.

Wages, as discussed in this chapter, have to do with the "general" wage rates for all workers as a group rather than specific rates for particular occupations or individuals; the latter are discussed in later chapters. The theories discussed below concern the price or value of labor en masse, and the general wage levels of workers as homogeneous groups.

CLASSICAL WAGE THEORIES

As England and western Europe emerged from rural serfdom and the urban guild system, many theories were developed to explain why owners of land and business enterprises received the income they did, and why laborers on the farm and in the shops received the amount of wages which were paid to them. The most obvious fact during the early phases of the Industrial Revolution was the prevailing poverty of the workers. As means were developed to increase the wealth of nations, the lot of the mass of laborers was not improved; in many respects it grew worse because, in addition to low wages, they suffered insecurity of employment. Not unlike some of the theories of a later day, the wage theories of the 18th and 19th centuries sought not only to explain, but to justify, the existing low level of wages. Instead of being offered as explanations of conditions existing at a particular time, these theories were esteemed to be based upon an irrevocable "iron law" of wages.

Subsistence Theory

The early 19th-century theories of wages, now referred to as the "classical" theories, were based upon the fundamental premise that labor is a commodity whose price is controlled by the same market conditions as other commodities. According to the classical "iron law" of wages, the price of labor is determined by the mechanical forces of supply and demand, and like the price of any other commodity its value is ultimately based on its cost of production. "The natural price of labour is that price which is necessary to enable the labourers to subsist and to perpetuate their race without either increase or diminution," said David Ricardo:

Wages, in other words, are the exact equivalent of the cost of subsistence; they are forever constant and will never rise or fall except for short periods as a result of unusual circumstances.

Ricardo and the later classical economists were influenced by Malthus' theory of population, discussed in Chapter 1, which was based on a belief in the niggardliness of nature and the "law of diminishing fertility of the soil." According to Malthus, the production of food cannot keep pace with the *potential* rate of increase of the population, and the size of the population at any given time therefore tends to equal the number which are just able to subsist. Converted to the realm of wages, this theory of population holds that wages cannot fall below subsistence else the supply of labor will be reduced, causing competitive bidding among the employers, which will raise wages. A rise in wages above the cost of subsistence, on the other hand, will encourage population growth to the point where there will be an excess of workers, which, in turn, will lead to a decline in wages.

Labor, according to such a theory of population, has its natural and its market price. The natural price is the equivalent of the cost of subsistence and perpetuation of the race; the market price is the amount that results from the operation of the law of supply and demand. The latter, however, is secondary and always tends to conform to the first. As stated in Ricardo's own words:

> The market price of labour is the price which is really paid for it, from the natural operation of the proportion of the supply to the demand; labour is dear when it is scarce, and cheap when it is plentiful. However much the market price of labour may deviate from its natural price, it has, like commodities, a tendency to conform to it. . . .
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> It is when the market price of labour exceeds its natural price, that the condition of the labourer is flourishing and happy, that he has it in his power to command a greater proportion of the necessaries and enjoyments of life, and therefore to rear a healthy and numerous family. When, however, by the encouragement which high wages give to the increase of population, the number of labourers is increased, wages again fall to their natural price, and indeed from a reaction sometimes fall below it.
>
> When the market price of labour is below its natural price, the condition of the labourers is most wretched: Then poverty deprives them of those comforts which custom renders absolute necessaries. It is only after their privations have reduced their number, or the demand for

labour has increased, that the market price of labour will rise to its natural price, and that the labourer will have the moderate comforts which the natural rate of wages will afford.[6]

The subsistence theory provided one loophole for improvement in wages, namely, that habit and custom were factors in the subsistence level and that natural wages could therefore include a modicum of comforts as well as the bare essentials for survival. If during a temporary period of relative prosperity workers grow accustomed to certain small comforts, these become conventional necessities and the workers thereafter delay marriage rather than sacrifice their newly acquired standard of living. Thus the population may be checked somewhat above the point where labor must subsist at the lowest possible level of poverty and distress. The early classical economists, however, were not optimistic about the possibility of any long-time improvement in the wages and living conditions of workers, although they observed that English laborers, in contrast to the Irish, would not accept wages which would give them no other food than potatoes and no better habitation than a mud cabin!

Wages Fund Theory

The notion that wages were not rigidly and always fixed at bare subsistence levels opened the way for the later classical economists to emphasize rather than minimize the influence of supply and demand and to develop further the concept of demand. The demand for labor, said John Stuart Mill and his followers, is determined by the amount of capital or other funds devoted to the purchase of labor. At any given time employers have available a certain amount of capital which is the accumulation of profits and savings from previous years' operations. Employers first use this capital to purchase raw materials and equipment, and what is left becomes a wages fund which represents the demand for labor. To quote Mill:

> Wages, then, depend mainly upon the demand and supply of labour; or as it is often expressed, on the proportion between population and capital. By population is here meant the number only of the labouring

[6] David Ricardo, *Principles of Political Economy and Taxation*, 1821, in J. R. McCulloch (ed.), *The Works of David Ricardo*, John Murray, London, 1876, pp. 50–51.

class, or rather of those who work for hire; and by capital, only circulating capital, and not even the whole of that, but the part which is expended in the direct purchase of labour. . . . Wages not only depend upon the relative amount of capital and population, but cannot, under the rule of competition, be affected by anything else. Wages (meaning, of course, the general rate) cannot rise, but by an increase of the aggregate funds employed in hiring labourers, or a diminution in the number of the competitors for hire; nor fall, except either by a diminution of the funds devoted to paying labour, or by an increase in the number of labourers to be paid.[7]

The wages fund theory, like the subsistence theory, was based on the Malthusian theory of population and the law of diminishing returns. While the wages fund determines the market rate of wages at any particular time, wages in the long run are always determined by the ratio of population to the supply of food, and [the only way to improve wages is to check population growth.] If one group of workers, through legislation or trade union pressure, secures an advance in their wages, they absorb an unduly large part of the wages fund, and this leaves less for other workers. Likewise, if employers are taxed to provide for the poor, this reduces the amount of capital available for wages, and the level of wages is consequently lowered. (Wages can be increased only at the expense of profits, but a reduction in profits causes a decline in savings and hence in the capital from which the wages fund is derived.) Said Malthus: "It may naturally appear hard to the labouring class that, of the vast mass of productions obtained from the land, the capital, and the labour of the country, so small a quantity should fall to the share of each individual. But the

[7] J. S. Mill, *Principles of Political Economy*, D. Appleton & Company, New York, 1888, vol. i, pp. 420–421. Mill's *Principles* was first published in 1848. Some years later in a discussion with W. T. Thornton in the *Fortnightly Review* (May and June, 1869) he admitted there might be certain errors in the Wages Fund theory. Thornton contended that the Wages Fund was not an automatic residue but was influenced by employers' decisions as to how much they wished to spend for wages or use for personal and other expenditures; that it was therefore indeterminate and hence "might as well not exist for any power it possesses of performing the sole function of . . . yielding a quotient that would indicate the average rate of wages." Even though Mill acknowledged there was some validity in Thornton's argument he reissued his *Principles* in 1871 without modification, with the explanation that the results of the discussion were "not yet ripe for incorporation in a general treatise."

quantity is at present determined, and must always in future be determined, by the inevitable law of supply and demand."[8]

Discussing the feasibility of statutory minimum wages, J. S. Mill came to some doleful conclusions:

> Such an obligation acknowledged and acted upon, would suspend all checks, both positive and preventive; there would be nothing to hinder population from starting forward at its rapidest rate; and as the natural increase of capital would, at the best, not be more rapid than before, taxation, to make up the growing deficiency, must advance with the same gigantic strides. . . . Let them work ever so efficiently, the increasing population could not, as we have so often shown, increase the produce proportionately: The surplus, after all were fed, would bear a less and less proportion to the whole produce and to the population; and the increase of people going on in a constant ratio, while the increase of produce went on in a diminishing ratio, the surplus would in time be wholly absorbed; taxation for the support of the poor would engross the whole income of the country; the payers and the receivers would be melted down into one mass. The check to population either by death or prudence could not then be staved off any longer, but must come into operation suddenly and at once; everything which places mankind above a nest of ants or a colony of beavers, having perished in the interval.[9]

As late as 1874 a well-known Irish economist, J. E. Cairnes, in criticizing a contemporary who took exception to Malthus by maintaining that "subsistence tended to increase faster than population," expressed his views regarding the prospects of workers as follows: "The margin for the possible improvement of their lot is confined within narrow barriers which cannot be passed, and the problem of their elevation is hopeless. As a body they will not rise at all. A few, more energetic or more fortunate than the rest, will from time to time escape, as they do now, from the ranks of their fellows to the higher walks of industrial life, but the great majority will remain substantially where they are. The remuneration of

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[8] Thomas R. Malthus, *Principles of Political Economy,* William Pickering, London, 1836, 2nd ed., p. 279.

[9] Mill, *Principles of Political Economy,* pp. 445–446. In spite of his firm belief in the orthodox theories of wages, Mill was a reformist who believed that the salutary influence of education would result in controls in population growth and improvements in the existing economic system.

labour as such, skilled or unskilled, can never rise above its present level."[10]

Is it any wonder that 19th-century economics was called "the dismal science"?

Surplus Value Theory

Parallel in time, but deviating in ideology from the orthodox classical economists, was Karl Marx the socialist. Marx accepted the basic premises of the theories which held that market wages tend to equal the cost of physical subsistence, although he stressed the influence which habit and custom had in the establishment of subsistence levels of living. He maintained that "the value of labour . . . is formed by two elements—the one merely physical, the other historical or social. Its *ultimate limit* is determined by the *physical* element: That is to say, to maintain and produce itself, to perpetuate its physical existence, the working class must receive the necessaries absolutely indispensable for living and multiplying. . . . Besides this mere physical element, the value of labour is in very country determined by a *traditional standard of life.*"

Thus Marx explained the considerable differences of wages between countries and between different periods of time, but he also recognized wage differences between different workers at the same time and place. Wages are higher for skilled work, he maintained, because of the greater time and cost involved in educating skilled workers than unskilled laborers. Marx also accepted the wages fund doctrine that the demand for labor depends upon the amount of capital which is or can be devoted to that purpose, and that the amount of the wages fund is predetermined in the sense that it is dependent upon how much and what has been produced in the past. "Wages . . . are not a share of the worker in the commodities produced by himself. Wages are that part of already existing commodities with which the capitalist buys a certain amount of productive labour-power."[11]

Marx's theory concerning wages, it is seen, was not unlike that

[10] J. E. Cairnes, *Political Economy,* Harper & Brothers, New York, 1875, Lecture VII.

[11] Karl Marx, *Wage-Labor and Capital,* New York Labor News Co., New York, 1902.

of his contemporaries. His unique contribution was his conception of the relation of wages to the value of the product which labor produced, and the social and political implications he attached to his theory. The fundamental thesis of Marx's economic and political philosophy was that labor creates *all* value; that "the value of a commodity is determined by the quantity of labour expended during its production." Raw materials have value only to the extent that labor was employed in producing and getting them to the market, and capital equipment is a conversion of raw materials and labor. It is labor, then, which produces all wealth, but labor is actually paid only its cost of subsistence—the difference or surplus value is retained by the employers.

Basically, Marx's theory of surplus value followed the thinking of Adam Smith, the founder of classical economics, for Smith also held that it was labor which created economic value and that rent and profits were "deductions" from the "product of labour." In his advocacy of higher wages Smith stated that it was but equity "that they who feed, clothe, and lodge the whole body of the people should have such a share in the produce of their own labour as to be themselves tolerably well fed, clothed, and lodged."[12] Marx, however, disagreed with Smith that workers are entitled merely to be "tolerably" well fed. According to the Marxian philosophy, wages should amount to the *total* value of the product; and if workers had control of industry, which Marx believed in and advocated, there would be no employing class to appropriate the surplus value which belonged to labor. (Marx did not think in terms of individual laborers receiving the total value of their production but in terms of the surplus value going to the government which would be controlled by the workers.)

The "orthodox" economists of Marx's time and later took exception to Marx's claim that the value of a thing consists exclusively of the labor that has been spent in making it and that therefore interest on capital is robbery of labor. Alfred Marshall, the noted British economist, expressed the views of many when he said that capital represents postponement of gratifications—that is, present spending—and thus "a sacrifice on the part of him who postpones, just as additional effort does on the part of him who labours; and if it be true that this postponement enables man

[12] Adam Smith, *Wealth of Nations*, E. P. Dutton & Co., New York, Everyman's Library, 1911, Vol. I, p. 70.

to use roundabout methods of production by which the aggregate volume of human enjoyments is increased, as certainly as it would be by an increase of labour, then it cannot be true that the value of a thing depends simply on the amount of labour spent on it."[13]

MARGINAL PRODUCTIVITY THEORY

It was not until late in the 19th century that the Malthusian theory of population and diminishing returns from the land (food supply) was questioned. Then it was observed that the rate of population increase tends to be lower, instead of higher, with improvements in the standard of living. If this was true, a rise in wages might reduce rather than increase a nation's supply of labor, excluding of course the factor of immigration. Also it was observed that "high" wages had another effect—they increased the efficiency of labor. This latter was recognized by Adam Smith a century earlier but his immediate successors had given little attention to his statement: "The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the labourer and the comfortable hope of bettering his condition, and of ending his days perhaps in ease and plenty, animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workers more active, diligent, and expeditious than where they are low. . . ."[14]

During the latter half of the 19th century a number of the classical economists, even those who were regarded as upholders of employer interests, conceded that low wages are by no means equivalent to low costs. Senior, who invented the term "wages of abstinence" to explain and justify interest on capital, observed that in spite of the fact that wages in England were three times as high as in Ireland, the cost of production in England was no greater. "It may be supposed, indeed, that the (actual cost) price of labour is everywhere, and at all times, the same."[15]

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[13] Alfred Marshall, *Principles of Economics*, Macmillan & Co., Ltd., London, 1890, p. 619.

[14] *Wealth of Nations*, p. 73.

[15] N. W. Senior, *Political Economy*, Charles Griffin & Co., London, 1868, 5th ed., p. 151.

Recognition of the factor of labor efficiency was a radical departure from the concept of labor as mere numbers or a rigid "lump of work," because it differentiated between the nominal cost of labor, represented by the wages which workers receive, and the *real* cost of labor, which depends upon the relation of wages to the volume and value of the goods produced. From this it was concluded that if higher wages resulted in higher productivity, this affected not only the supply of but also the demand for labor. The supply was augmented because more man-hours were available as a result of the increased intensity and skill of labor; the demand tended to expand because persons with money at their disposal, attracted by the prospects of the larger profits resulting from lower labor costs, would be encouraged to invest larger portions of their funds instead of spending their money for present enjoyment. Instead of a rigid wages fund which could be augmented only slowly with the growth of the surplus product of industry, investment funds for the employment of labor came to be thought of as flexible circulating capital which expanded or contracted according to the confidence investors had in their ability to make profits.

This new attention to labor productivity or efficiency as a factor in the value of price of labor not only discredited the absolutism of the wages fund doctrine but pointed the way to a new theory —that of marginal productivity, which deals in terms of increments, that is, the small additions and subtractions of labor at the "margin."

Meaning of Marginal Productivity

The marginal productivity theory is one aspect of a general theory of value, and is premised on the fact that the amount of goods and services produced is dependent upon the willingness and ability of consumers to purchase. Basic to economic value are two conditions, utility and scarcity, which in the market place are manifested as demand and supply. To illustrate: Air has utility for all living beings, but because of its abundance it has no economic value except in crowded cities where "plenty of air" may be an item in the rent paid for an apartment. In contrast, work horses may be scarce but nevertheless may be a drug on the market if farmers are able to obtain all the tractors they need.

The value of any commodity or service depends upon its marginal utility to those to whom it is or could be made available. In other words, the money value or price depends upon what existing or potential buyers are willing to pay for the last or marginal unit which is produced and offered for sale. The utility of that marginal unit is determined by the "law of diminishing returns," which holds that the utility of, and hence the value placed upon, any unit diminishes as the number of units increases, because its net contribution falls off as additional units are made available and used.

Four factors contribute to production, namely, land, capital, business enterprise, and labor. The problem is, what determines the relative share or value of each? With respect to labor's share or value, the theory holds that wages tend to be fixed at the point that represents the employer's estimate of the contribution of the last unit of labor employed, which becomes the marginal unit. The number of units of labor which he will employ will be determined by what he must pay for the marginal unit of labor in comparison to the cost of the marginal units of land (rent) and capital (interest), and by what he thinks his own marginal risks should yield in the way of profits. In other words, the supply of labor in relation to the supply of land, capital, and business enterprise determines its marginal productivity or value, and the level of wages paid will equal the exact value of the marginal unit.

The theory can be more simply explained by considering only two factors which are of prime importance in manufacturing—labor and capital. To paraphrase the illustration used by John Bates Clark, the economist who has been most influential in this country in expounding this theory: If 100 workers are employed in an enterprise having $1,000,000 worth of capital, their per capita productivity will be great because their work will be aided by $10,000 worth of machines and other equipment per man. If another 100 workers are employed without increasing the capital investment, the output per man will be much smaller, because this second increment of workers has at its disposal capital amounting to only $5000 per man, and this they have taken from the men who were formerly using it. Therefore, "The product that can be attributed to this second increment of labor is, of course, not all that it creates by the aid of the capital that the earlier division of

workers has surrendered to it; it is only what its presence adds to the product previously created." With 100 workers using the whole capital, the product has X units of value; with 200 workers it has X plus, and "the plus quantity, whatever it is, measures the product that is attributable to the second increment of labor only."[16]

When it is said that marginal productivity determines the rate of wages existing at any given time or place, does this have any practical meaning? Basically, as has been indicated in Chapter 4, the productivity of any unit of labor depends as much or more upon mechanical and chemical inventions, the efficiency of organization, and available natural resources, as upon the workers' own skill and effort. Let us assume, for the sake of simplicity, that these other factors, referred to as the "state of the arts," are constant, and also that all the workers' skill and effort are similar so that their price or wage rate is uniform. If all these factors are constant, the theory then turns on the relationship of the demand for labor to the supply of labor.

Demand for Labor

Fundamentally, the demand for labor is a demand for the *products* of labor, and the demand at any time is dependent upon general economic conditions and the needs and desires of consumers. The total volume of production, therefore, ultimately determines the receipts of all factors involved in production. But the theory of marginal productivity as applied to wage determination is concerned with the *ratio* of the receipts going to capital and labor or, more specifically, the value assigned to labor by the owners and managers of capital. In this sense, the demand for labor is represented by the amount of capital made available by employers for investment in wages.

The marginal productivity theory differs from the wages fund theory in that the amount of capital available for employing labor is not regarded as a fixed proportion of the total income from industry. It is a fund which may be added to or reduced by the action of investors in accordance with the relative attractiveness of investment as against present enjoyment—investing in stocks or

[16] J. B. Clark, *The Distribution of Wealth*, The Macmillan Company, New York, 1902, pp. 174–176.

bonds or spending for personal comforts and luxuries. The fund, however, remains elastic only within certain limits, and these limits are determined by the preference which investors have for spending their money immediately or putting it by to bring in future income. This preference for present pleasure or spending, referred to as "time preference" or "discounting the future," acts as a resistant against the flow of capital into industry and measures the cost price of capital.

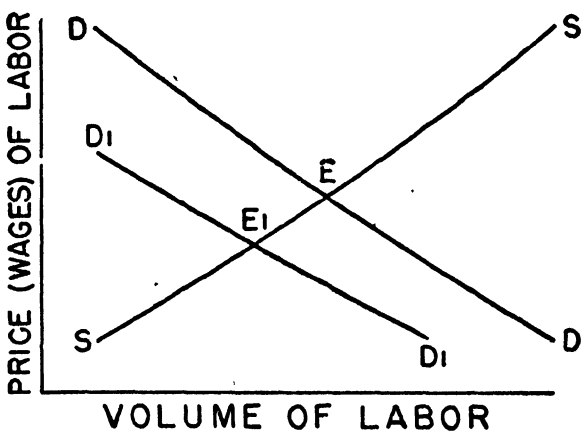

FIG. 17. *Supply and Demand Wage Determination.*

The price necessary to overcome the "time preference" of investors, and thus to attract different amounts of capital into industry, tends to vary. With bright prospects for profits the amount will expand, and with poor prospects it will contract. While it depends upon past accumulations of capital, it fluctuates with the willingness of investors to add to existing capital by new investments. The limits of the varying amounts of capital which are available for wages represent the demand curve for labor, shown as *DD* in the accompanying diagram.

Supply of Labor

The supply of labor is also elastic within certain limits, and these limits determine the cost price of labor. Fundamentally, as

was brought out in the early chapters of this book, the supply of labor is contingent upon the total population, but population is relatively inelastic. The elasticity of supply, at least within short periods of time and for particular demands, depends upon such factors and conditions as the proportion of the population available for work, the acquired skills and intensity of work of those in the labor force, and the willingness of workers to accept jobs at a given price.

There is thus a supply curve for labor as well as a demand curve. The supply curve is indicated by SS in Fig. 17; and the point of intersection of the two curves, E, is the point of equilibrium which determines the level of wages. According to the marginal productivity theory, this is true because if any employer sought to pay less, workers would leave him and go elsewhere since there are unfilled demands; likewise if workers insisted upon more than the equilibrium wage, they would not be employed because there are enough available workers to supply the demand at this figure. However, should the demand for labor be reduced, as shown by D_1D_1, and the supply remain the same, the wage level would drop to a new point of equilibrium, E_1.

Assumptions of Marginal Productivity Theory

This theory obviously is based upon many hypothetical assumptions. It assumes that the employers' need for labor and the workers' need for wages strike a balance in a labor market which has the same characteristics as a free commodity market. It presupposes free competition between the buyers and sellers of labor. It assumes that employers know and rationally decide at all times just what combination of labor and capital equipment is most efficient in terms of relative cost. It takes for granted that labor is extremely mobile and that workers have complete knowledge of all possible job opportunities and are able to move readily to them. Most important, it assumes that there is equal bargaining power between labor and the owners of capital and that all labor and all capital are employed. Regarding these last two assumptions, Paul Douglas, an authority on wage theory, has this to say:

> One of the most remarkable features about the theoretical work of both the classical and neo-classical schools has been their failure to recognize the possibility of unemployment. In their desire to disprove the "heresy" of overproduction, they have tended to ignore the fact

which the advocates of overproduction have sought to explain, namely, that of unemployment. Intent upon demonstrating that the production of goods constitutes the demand for goods (which under a barter economy is the case) they have tended to satisfy themselves by showing that it is, therefore, impossible for widespread unemployment to exist. Until the last decade, the business cycle has been viewed by the "orthodox" economists as an excrescence upon business activity rather than as a tendency which is organically a part of it.

The productivity theorists and the neo-classical school have treated unemployment as resulting solely from the attempt of labor to secure a higher wage than their product at the margin, and as only operating as the mechanism by which the workers' demands were forced down to the point where the employers would be justified in hiring them. The possibility that it might lead to the workers offering their services for less than their marginal product was seldom considered.

Whatever, therefore, may be the condition in the real world of affairs, the productivity theory is based upon the assumption that there is work for all, and that all who really want work and are able to perform it and who are willing to work for the marginal wage are employed. Thus the marginal productivity of labor is made identical with the marginal productivity of employed labor. There is no idle fringe of labor whose productivity is nil. . . .

In orthodox theory there is no more room for unemployed capital than for unemployed labor. All capital is actively at work in production, save that which has been discarded or lost and has consequently ceased to be capital, or that which is temporarily out of use because of the attempt to secure a higher rate of interest than its marginal unit adds. There is indeed in the classical theory no realistic explanation as to why capital instruments which are in good repair should be employed at one time and should be idle at another. The fact that many industries are so overequipped with fixed capital that a large proportion lies idle even in periods of prosperity has been similarly ignored by the main theorists of the orthodox tradition. In consequence of all this the main stream of the marginal productivity theory has made the marginal productivity of capital virtually synonymous with the marginal productivity of employed capital.[17]

BARGAINING THEORY

The marginal productivity theory rests upon the assumption of equal bargaining power between the buyers and the sellers of

[17] Paul H. Douglas, *The Theory of Wages*, The Macmillan Company, New York, 1934, pp. 70–71.

labor in a perfectly "free" labor market; otherwise, there will be interferences in the competitive forces of supply and demand which will cause an "unnatural" equilibrium or wage level. It is a theory which holds that the mechanistic operation of unconscious forces will bring about normal or "natural" rates of wages which, because they are "natural," are therefore right and best for all concerned.

If the theory has any practical use, even as a tendency, it must be assumed that it is possible to have or to attain approximately the conditions upon which its validity is premised. Accordingly, it is imperative to know and to recognize the actualities of existing conditions, for if they do not conform to the hypothetical conditions upon which the theory is posited, it must be accepted that existing wages are not the equilibrium wages which the theory talks about. The practical question is, then, what constitutes a free labor market and when is there equal bargaining power between capital and labor? Correlatively, is it possible to have a free labor market and equality of bargaining in a complex and dynamic industrial system such as ours?

Let us consider some of the relevant characteristics of capital and labor which affect their bargaining relationship. Some of them, it will be seen, are inherent in any wage economy and will continue to exist, to a greater or lesser extent, so long as there are employers and employees engaged in private enterprise. Others, however, are not so much an intrinsic part of the nature of the capital-labor relationship as the result of customs, laws, and other institutional influences.

Inherent Factors in the Bargaining Relationship

It is the managers of capital who decide each quarter or each year how much of the business income shall be used for managers' salaries and distributed in dividends, how much shall be laid aside for future capital investment, and, in effect, how much shall be allocated for wages. The very nature of their position, therefore, gives the managers of capital an advantage in wage bargaining, because the income from business flows through their hands.

Another inherent advantage of capital lies in the fact that labor is inseparable from the worker himself. It is this inseparability of labor from the laborer which produces a number of fundamental

distinctions between the capital and the labor market and their relative bargaining power. To begin with, the supply of labor, at least in the mass, is comparatively inflexible. Since the size of the population changes slowly, the size of the labor market is more or less fixed for long periods of time.[18] Unlike capital, labor must be delivered "in person," and persons (with their families) cannot always transport themselves to new jobs offering a better income. The labor of people cannot be as versatile as is capital. Investment-seeking capital can enter any kind of business, but persons seeking jobs are limited by their job skills and must also consider the physical and other conditions surrounding the jobs.

Of prime importance is the fact that labor will not keep; it must bring in an income immediately and continually because the daily work of a wage earner usually represents the day-to-day subsistence of himself and his family. The "withholding" power of workers, in other words, is much weaker than that of the owners of capital, for the latter enjoy one or all of the following benefits: Owners of capital are usually in the higher-income groups and thus have greater reserves and credit to tide them over a period of reduced or no income. Their capital investments usually are widely dispersed so that a cessation of dividend receipts from one source (e.g., from a company closed down because of a bargaining dispute) is not tantamount to complete stoppage of income. It is the usual practice of business concerns to carry reserves so that dividend payments can be continued long after workers are laid off because of depression, or cease work because of a wage dispute.

Almost two hundred years ago, during the early days of the modern wage system, the French statesman, Necker, made the following pungent comment on the inherent differences in the bargaining relationship between those who derive their income from property or capital and those who work for wages:

Whence is the misery of all times and in all lands and what is its eternal source?

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[18] An important exception in this country, mentioned in chap. 1, was the period of large-scale immigration prior to World War I which, incidentally, was encouraged by employers for the purpose of increasing the labor supply and keeping down wages. As indicated in chap. 2, the labor force is capable of considerable expansion during war and inflation periods when women, retired men, and youths are encouraged to accept employment.

"This source is the power which the owning classes possess, the power to give in exchange for labor which they need, the lowest possible wage, that is, a wage which is determined by absolute minimum necessity. . . .

"Such a power in the hands of the owning classes is based on the insignificance of their number as compared with the number of people who are deprived of property. It is, also, based on the intense competition between the propertyless among themselves, and, particularly, upon the terrible inequality between the two groups of people, those who, on the one hand, sell their labor in order to be able to meet the needs of the day, and, on the other hand, those who buy this labor in order to obtain greater comforts and luxury. The first are always under the pressure of immediate need; the others are altogether not affected by it. . . .

"The power of the owner over the man who is deprived of property, must be attributed to this difference in the situation. . . . [Furthermore] as the society becomes altered, there takes place an accumulation of great quantities of products. . . . This accumulation of riches which daily grows is hidden, and unnoticeably competes with the labor of new workers. . . ."[19]

Institutional Factors in the Bargaining Relationship

In addition to the distinctions which are inherent in the very nature of capital and labor, their relative bargaining strength is also vitally affected by laws, customs, social arrangements, and practices which are referred to as "institutional." In contrast to the characteristics which, basically, cannot be changed except by changing the structure of which they are a part, institutional factors are variable and are constantly subject to change. Some of these changes take place unconsciously and are by-products of a developing industrial society so far as their impact upon wage bargaining is concerned. Many of the changes—for example, legislation or the organized activities of employers or workers—are the result of a deliberate and conscious effort to alter existing bargaining relationships. Sometimes they are for the purpose of enhancing existing inequalities, or at least they have had that effect; others are designed to compensate for "natural" inequalities in order to effect a more equal balance in bargaining strength.

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[19] Jacques Necker, Paris, 1775. Quoted in M. T. Wermel, *The Evolution of the Classical Wage Theory*, Columbia University Press, New York, 1939, pp. 77, 80.

Before the advent of power machinery and the factory system as we know factories today, and prior to many of our modern business practices and institutions, the inequalities due to inherited privileges, group behavior, and existing legal institutions were recognized. Said Adam Smith in 1776:

> What are the common wages of labour, depends everywhere upon the contract usually made between those two parties, whose interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible. . . . It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms. . . . The masters, being fewer in number, can combine much more easily. . . .
>
> We rarely hear, it has been said, of the combinations of masters, though frequently of those of workmen. But whoever imagines upon this account that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and everywhere in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rates. To violate this combination is everywhere a most unpopular action and a sort of reproach to a master among his neighbours and equals. . . . Masters, too, sometimes enter into particular combinations to sink the wages of labour even below this rate. These are always conducted with the utmost secrecy, till the moment of execution and when the workmen yield, as they sometimes do, without resistance, though severely felt by them, they are never heard of by other people.[20]

The introduction of the corporate form of business enterprise greatly enhanced the inequalities referred to by Smith. Corporations, which are "creatures" of the state and an outstanding example of an institutional arrangement for conducting business, represent amalgamations of large amounts of capital under control of a single company or legal entity. One can appreciate the great change in the balance of competition in the labor market which corporations have brought about only if one can imagine a situation in which no business organization had control of more capital than that owned by a single individual or even a partnership. Even then there would not be parity between individual

[20] *Wealth of Nations*, pp. 58–59.

workers and employers because capital, unlike labor, can accumulate. But capital accumulation is also an institutional phenomenon since it is affected by man-made laws in the form of taxes and governmental controls, as well as benefits. For example, portions of the capital in the hands of many employers represent inherited funds, and inheritances are made possible through legal arrangements and social protections. The annulment of the laws of primo-

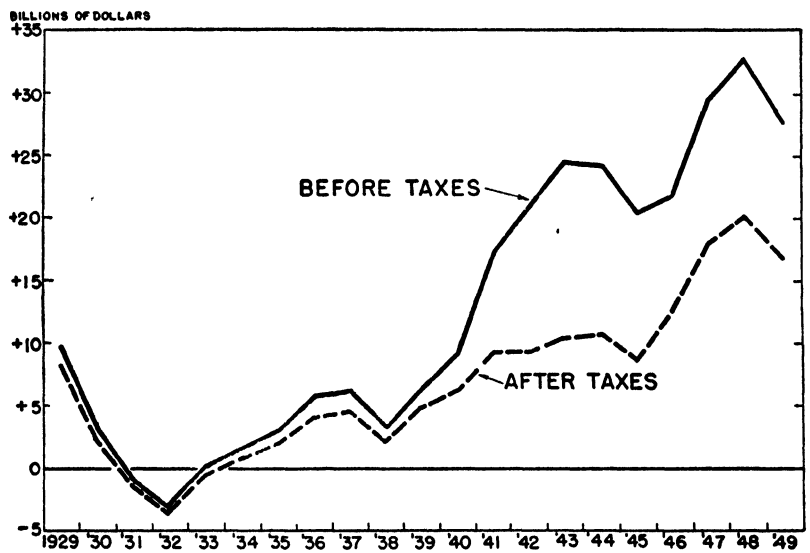

FIG. 18. *Corporate Profits Before and After Federal and State Income Profits Taxes, 1929–1949. Excludes factor of fluctuating prices as they affect inventory replacements.* (*Source: President's Economic Report, January, 1950.*)

geniture, for example, vitally affected the distribution and accumulation of inheritances.

If the mere fact of corporate control of aggregations of capital funds automatically causes a change in the character of the labor market, the forces of equilibrium are further distorted, of course, when corporations combine into trade associations or less formal arrangements for purposes of controlling production, prices, and wages. In this volume we cannot go into the theoretical or the actual implications of monopolistic and quasi-monopolistic prac-

tices, although all of them directly or indirectly affect wages in some way. Suffice it to say that they are the antithesis of free competition and, to the extent that they exist, they destroy the basis of any wage theory founded upon the principle of equilibrium resulting from the competitive forces of supply and demand.

Combinations, however, are not limited to the capital side of wage bargaining. Union organizations represent combinations of labor and their *raison d'être* is to achieve approximate parity between employers and workers. Labor organizations are also an institutional phenomenon, their existence and effectiveness being promoted or hindered by social attitudes and, most of all, by legal controls or protections. What these are and how they have developed will be discussed in later chapters.

As conditions are today, labor unions cannot be ignored or relegated to a minor role in any realistic consideration of wage determination. Labor unions are designed to supplant individual worker bargaining with collective bargaining. Their presence not only alters the method of wage negotiation but also causes a readjustment in the balance of forces. In theory at least, they establish a "balance" which does not exist in their absence, because of the inherent and institutional advantages on the employers' side. Through their unions workers can and do exercise control over the supply of labor. Their most effective weapon is their ability to withhold labor, and many wage determinations are the result of strikes or threats of strikes.

Bargaining Versus the Marginal Productivity Theory

Does the presence of such man-made institutional factors as employer-union bargaining (as well as wage legislation, discussed later) entirely invalidate the theory of a natural rate of wages established at a point of equilibrium of marginal productivity? Do the conscious and deliberate controls of the labor market by combinations of capital and labor utterly negate the law of supply and demand? Is it possible to say that certain independent conditions of supply and demand create a certain equilibrium to which the wage level will inevitably tend, or are these very conditions the result of previous bargaining? In other words, does the point of equilibrium continually change as the result of successive bargains, each of which was influenced by the superior bargaining

strength which one party or the other happened to possess at the time?

The marginal productivity theory attempts to explain the general level of wages in the long run. The qualifications "general" and "in the long run" are of prime significance since, as already seen, other forces come into play. No more than the older theories, however, does it resolve in exact terms the question of the contribution made by labor in the production of a given product as compared to the contribution made by capital investment and managerial skill and direction. As one authority has said:

> As between labor and capital, each is supposed to contribute a share of its own to the output. . . . Each tends, under competitive conditions, to get as reward what it adds to the product. . . . [But] this assumes a separate productivity of capital as well as labor. But capital is itself made by labor; it represents a stage in the application of labor. . . . There is no separate product of the tool on the one hand and of the labor using the tool on the other. There is a joint product of all the labor applied—earlier labor as well as later labor. We may disengage the causes determining why and how the laborers who use and make the tools get wages, from the causes determining why and how the owners of the tools get interest; but we can disengage no concretely separable product of labor and capital.[21]

The fact of this inseparability constitutes the core of the modern wage problem, for if it could be known with accuracy what each of the agents of production actually contributed, the allocation of the gross income would be merely a matter of administration and enforcement. But there is no way, under modern industrial and social conditions, to establish a continual process which would allocate an even-handed justice to all the elements concerned in the production of goods or economic values.

The only thing which is certain is that, through the joint efforts of all the factors, surplus value is produced, and this is available for either higher profits or higher wages.[22] The surplus

[21] F. W. Taussig, *Principles of Economics*, The Macmillan Company, New York, 1921, vol. ii, pp. 213–214.

[22] This does not mean, of course, that *every* business enterprise produces a surplus every year, but that the value of the goods and services produced by the entire economy is greater than the costs involved in their production.

can also be distributed through the lowering of prices which in effect is equivalent to higher "real" wages, as is explained in the next chapter.)

THEORIES AND REALITIES

Combinations of capital and labor cause shifts in bargaining power but they do not fundamentally change the mechanism of the market. In the long run it is to everybody's advantage that equilibrium among the factors of production be maintained. But acceptance of the principle of equilibrium does not answer the problem of how to attain it; that is, to know whether wages at any given time are too low or too high. Is there a general "law" of wages or even a theory which can serve as a guide to long-time trends and fundamental relationships between the factors involved in the productive process?

The answer can only be that there is no known rigid theory which, if applied, would insure the "right" level of wages. Also there are too many variables entering into the situation at any given time to determine which is cause and which is effect in the chain of evidence of disequilibrium. We know what some of the important relations between the factors are, and the broad limits within which the lowest and highest levels are contained. Marginal subsistence determines the level of minimum wages else workers could not survive, but there are variations even in survival levels among different peoples and cultures. Marginal productivity fixes the extreme boundary of maximum wages because aggregate wages cannot exceed the gross product *minus* the necessary capital accumulation.

Returns to capital could probably be reduced within limits without impairing the supply or the incentive to invest and manage business enterprises. The concept of "normal" returns to capital is not something fixed. During the past generation average interest rates have been reduced at least one-half without any apparent diminution in the flow of "safe" investment money. Likewise "risk" capital and managerial effort would probably be forthcoming even though there was some gradual and general reduction in profit and high income levels. Monetary incentives can be confined

within certain limits without destroying incentive itself. But in a free enterprise system there are limits beyond which capital returns cannot be reduced.

In a completely "free economy" the final distribution, that is, the relative rates of profits and interest, prices of goods, and wages—rest upon the relationship of supply and demand. This does not mean that there is one fixed amount of wages which is the result of an automatic equation of demand and supply. In the operation of the forces of demand and supply much depends upon whether the buyer or the seller has the initiative or, what amounts to the same thing, which has the greater withholding power. The equation of demand and supply, in other words, permits a possible range of wages. Whether wages tend toward the lower or upper limits of that range depends upon whether employers or workers have the initiative or are in the better bargaining position.[23]

It is possible for employers to take advantage of their strategic position and not allow wages to rise as high as the equation of supply and demand permits. Upon this premise rests the validity of labor organizations as a lever in wage negotiations. But it does not necessarily follow that the wages which unions seek are always those which lead to equilibrium. Wages can be raised to the point where they result in a shrinkage of the demand for labor.

The determinates of wages, it will be seen, are variable and are influenced by custom, by the relative power of the groups who fix the wages, as well as the gross product from which the wages (as

[23] W. T. Thornton many years ago pointed out that more than one price could fulfill the law of supply and demand and that the final price depended very much upon who had the initiative. He used as an illustration what he called a Dutch auction where a dealer begins with a high price and goes down to the price where he gets a bid, for example, 20 shillings, in contrast to an English auction where the dealer begins at a low price and goes higher. In the latter the sale price might be 18 shillings to the same purchaser who would have been willing to pay 20 shillings but because he happened to be the highest bidder he did not have to pay more than 18 shillings. J. S. Mill accepted Thornton's argument that it was possible for several prices to satisfy the law of equality between demand and supply and concluded that, since the employer makes the offer of wages, "whatever advantage can be derived from the initiative is, therefore, on the side of the employer," and that "it is almost needless to say that nothing but a close combination among the employed can give them even a chance of successfully contending against the employer . . . that employers, by taking advantage of the inability of labourers to hold out, may keep wages lower than there is any natural necessity for . . ." (*Fortnightly Review*, May, 1869, pp. 515–518).

well as profits and interest) are derived. Among all the unknowns, this one thing is certain: in a progressive society such as ours, the difference between subsistence and productivity levels is ever widening, and this not only permits but requires an ever higher level of wages. Otherwise there is disequilibrium between profits which go into savings, and wages which go into purchasing. The end result of that, as was discussed in Chapter 6, is unemployment and a decline in gross product. The only exception is during times of war when large portions of the gross product, instead of being distributed, are destroyed.

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CHAPTER 11

THE NATURE OF WAGES

WAGES MEAN DIFFERENT THINGS TO DIFFERENT PERSONS AND TO the same persons in their several capacities. For the wage earner, the wages he receives are his primary, and most frequently his sole, means of livelihood for himself and his family. As a purchaser of goods and services, however, he is a payer of wages to others—directly in the case of many services and indirectly in the case of manufactured commodities. To the individual employer, the wages he pays his employees represent labor costs which comprise an important portion of the total cost of operating his business. But to employers in general, and to the national economy, wages represent the bulk of the total consumer purchasing power, the means by which most of the goods and services which are produced are taken off the market.

Wages therefore can be considered in the abstract as a mechanism by which goods and services are transferred from those who want to dispose of them to those who wish and need them for consumption. As such, the total money wages paid at any time or place become a measure of business activity, but not necessarily an indicator of the prosperity of those who offer the goods for sale, or of the wage earners who purchase them. There are other important factors which influence the income of any particular business or the degree of prosperity of all business. Likewise the purchasing ability of wage earners, individually and collectively, is affected by other factors than the amount of dollars and cents received in the pay envelope.

As a basis for the discussion of these factors and their interrelationships, it is necessary first to get a clear understanding of the meaning and significance of the various terms that are used in connection with the payment to workers for services performed and the money they have with which to make their purchases.

REMUNERATION OF WORKERS

The remuneration of workers is expressed variously as income, earnings, wages, and wage rates. Each term has its special significance and is used to describe particular forms of financial remuneration or their money equivalents. None of these terms, however, conveys what the remuneration is actually worth, that is, what it can procure in goods and services. Remuneration expressed in terms of what it will buy is called "real" wages or "real" income.

Workers' Income

Individual or family income is most commonly used to denote the total net money income from all sources as well as the money equivalent of living items not paid for in cash. Money income includes not only wages but nonearned income such as interest and dividends, rent from real estate other than the home, pensions and annuities and money gifts. Nonmoney income includes the rental value of homes owned by the families who occupy them, the money equivalent of lodging and perquisites received as part compensation (as when agricultural and domestic workers are furnished with living quarters), and the value of home-grown foods and other products used by farm families.

Income is a broader term than wages and earnings. It is a more accurate measurement of economic well-being than wages (or salaries) alone, for it represents the total potential ability for purchasing and savings. However, only a small proportion of industrial workers have other sources of income than their daily or weekly wages. For the most part, wage payments represent the total income of wage earners and their sole means of livelihood.

Income is usually considered in relation to annual receipts and thus takes into account loss of wages due to unemployment and other absences from work during the year. Annual income, therefore, should not be confused with the currently popular term "annual wages" which, as explained in Chapter 8, is frequently used to connote guaranteed wages on an annual basis.

Employer Pay Rolls

A *pay roll* represents the amount of money paid by an employer to all his employees as remuneration for services to him. It

denotes gross wage payments, for it includes not only wages and salaries[1] for work performed during the normal work week but also overtime and other premium payments, commissions, pay for vacations and holidays not worked (when such periods are actually paid for), and any other payments which directly or indirectly are considered as compensation for work performance. To the employer, his pay roll represents his labor costs; unit labor costs are computed by dividing the total volume of business or output by the total pay roll.

In the aggregate, employer pay rolls are equivalent to total employees' earnings. Fluctuations in total pay rolls reflect the increases and decreases in the number employed, the number of hours they work during the pay-roll period, premiums and bonuses, and the shifts which take place from lower- to higher-paid occupations and industries, or vice versa.[2]

Earnings, Wages, and Wage Rates

Wages and earnings are sometimes used interchangeably to designate the amount of money paid to a worker for a specified period of time, that is, hour, day, week, etc. *Earnings* could more accurately be used to refer to the total remuneration for services rendered or time worked, including overtime premiums, bonuses, commissions, and other extra rewards. *Wages*, on the other hand, are usually understood to cover regular pay for work performed under normal conditions, exclusive of overtime and holiday premium pay. Under piece or other incentive systems of payment, wages include total earnings during normal hours, that is, the

[1] In practice, most employers maintain two pay rolls, one for their production workers or wage earners, and one for their "overhead"—clerical, supervisory, and sales personnel. The pay-roll indexes published by the Bureau of Labor Statistics refer to the former; the pay-roll data compiled by the Department of Commerce include both, that is, salaries and wages. This difference should be kept in mind when comparing average payments per employee, for obviously the per capita average is higher when the salaries of supervisors and corporation officials are included.

[2] An example of the effect upon total pay rolls of shifts of workers between lower-paid and higher-paid industries is illustrated in the pay rolls for the years 1942 and 1943. Approximately 11 percent of the increase in total pay rolls in these years was attributable to the shift in employment from the relatively low-paid textile and other consumers' goods and service industries to the higher-paid metal and other war industries. (*Survey of Current Business*, April, 1944, p. 9.)

guaranteed amount referred to as the base rate, plus the amount earned for output above the established standard. Briefly, then, *earnings* are total or gross wages, in contrast to regular or straight-time *wages*.

A *wage rate* represents the amount of pay for a specified unit of time, most commonly an hour. The distinction between *wages* and

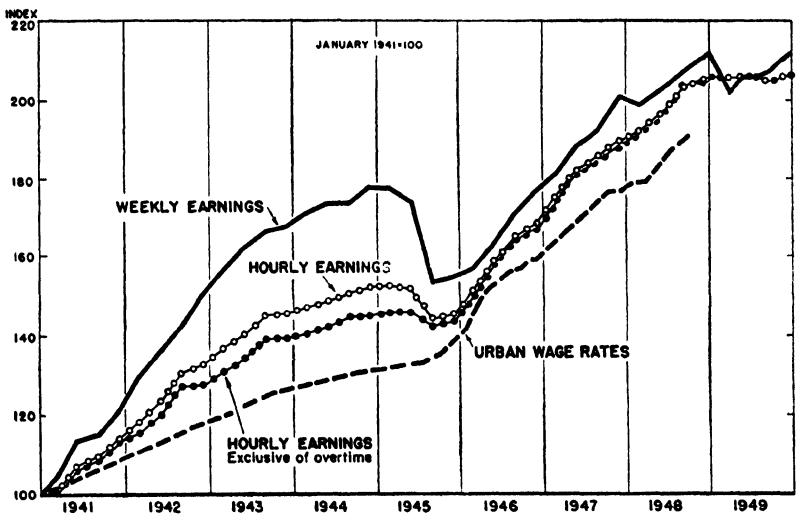

FIG. 19. *Trend in Manufacturing Employees' Weekly and Hourly Earnings, 1941–1949.* (*Source: Bureau of Labor Statistics.*)

wage rates springs from the fact that customarily wage earners are paid only for the actual time worked, regardless of how their wage payments are expressed. In this respect wages differ from most salary payments, for white-collar employees usually receive a given amount each week or month irrespective of slight fluctuations in the hours they actually work. A weekly wage of $40, however, is no assurance that that amount will be received because wage earners are usually docked for lateness, for time lost due to absence, or when sent home early because of slack work or machine breakdown. For all practical purposes, a $40 weekly wage (for a normal 40-hour week) is a wage rate of $1 an hour and this is usually the way it would be expressed.

The above distinctions are much more than academic, for a confusion in the use of these terms may result in conclusions which are misleading and perhaps entirely inaccurate. For example, data may be presented which show that the average earnings of all workers, or a particular group of workers, have greatly increased, and the conclusion may be drawn that wage rates have taken an upward turn, when in fact they have remained stationary or even declined. The increase in earnings may be due entirely to overtime payments and premium pay for night and holiday work. Differences between gross earnings and straight-time wages, of course, are most pronounced during abnormal production periods. For example, during World War II, the average gross weekly earnings of factory workers went up 77 percent, but only one-fifth of this increase resulted from basic rate increases. One-third resulted from increased hours and extra pay for overtime, and one-third came from the wartime upgrading of workers from unskilled to semiskilled and skilled jobs, from increased output under incentive or bonus schemes and the shift of workers from low-wage to high-wage industries. In October, 1945, a few months after the close of the war, gross weekly earnings had declined almost 13 percent, although hourly wage rates had increased 1 percent during those few months.

The difference between earnings, wages, and wage rates, it is evident, turns on the vital factor of hours and time of day worked and, in some instances, on the amount of individual output. Although all three represent remuneration for work performance, each has a different connotation and unique usefulness for purposes of measurement and comparison.

Wage rates provide the basis for comparing and determining the relative value of different types of jobs and for comparing wage levels at different periods. Pay rolls or gross wage payments provide a measure for computing labor costs to total cost of production; when in the hands of the recipient these wage payments become earnings for the given pay period. They are gross earnings, however, and usually represent more than "take-home" wages or spendable income. From these gross earnings there are fixed deductions such as social security and income taxes and perhaps union dues. These deductions must be taken into account in measuring "take-home" wages or net spendable earnings.

"Real" Wages

Earnings or take-home wages provide the means for livelihood, but the kind or standard of living which can be obtained from a given amount of wages depends equally as much upon what can be bought with those earnings. The purchasing power of a dollar of wages—that is, money wages in relation to costs of commodities and services which workers need and want—is expressed as "real" wages. "Real" wages increase if prices fall and wages remain the same, or if wages increase and prices remain the same, or if both rise, but wages to a greater degree. Likewise, "real" wages decline if prices rise even though wages remain the same, or if both wages and prices rise, but prices increase relatively more than wages.

"Real" wages can be computed either on the basis of gross weekly or annual earnings or on the basis of hourly wage rates, depending upon the purpose in mind. If one is considering the available purchasing power or the material well-being of workers irrespective of the number of hours they have worked for their income, the valid comparison is between cost of living and gross earnings. If, however, one is considering the comparative trends of wage rates and consumer prices, then "real" wages should be expressed in terms of the relationship between cost of living and average hourly wage rates.

WAGES AS COST OF PRODUCTION

As indicated above, total wages largely determine the volume and kinds of goods and services which are purchased at any given time. As sellers of these goods and services, employers as a group benefit from high wages and suffer when total and per capita wages are low. As a producer of these goods and services, however, the individual employer is concerned with wages as an item in his cost of production. He is concerned not only with the wages he himself pays his own employees, but also with the wages paid by those employers from whom he buys the materials and equipment he uses, for these wages affect his costs, though indirectly.

Similarly, workers as buyers and consumers benefit from high wages when these wages enable them to increase their volume of purchases and thus raise their standard of living. If, however, the

costs of consumers' goods are also high, "real" wages and workers' purchases are not increased. The standard of living is advanced only when wages increase *more* than the cost of living.

Wages as a cost factor become a problem of wage and price relationships. Pertinent to this problem are such questions as: Does an increase in wage rates necessarily and automatically entail an increase in prices? If so, must the two advances be exactly parallel or can wages be increased more than prices? Under what conditions is it most or least difficult to raise wages without increasing prices? Finally, what actually has taken place in the relationship between wages and prices in various industries during recent years?

Inextricably involved in these questions are two facts: (1) Although wages are a factor in the cost of production they are by no means the *sole* factor. (2) Increases in wage rates or individual earnings do not necessarily mean comparable increases in wage costs for the same amount of production. Consequently, the extent to which factors and influences other than wages enter into costs of production is the measure of the resilience between wage rates and prices.

Among these other factors are profits, which represent the difference between total costs and sales value; in manufacturing the latter is synonymous with wholesale prices. The preceding chapter outlined some of the principal theories which seek to explain the relative rewards of labor and capital, and we shall not here discuss profits versus wages as competing elements, although profits added to total costs determine ultimate prices. Our concern here is with wages in relation to total costs of production. Some of the more important cost items other than wages are salaries of officials of corporations, interest, rent, taxes, depreciation, insurance, research and advertising expenditures, fuel and power, and above all, materials and supplies. The relative proportion of total cost expended for each of these items varies greatly among the several industries, among different companies within the same industry, and in the same company at different periods.

Relation of Labor Costs to Total Costs

For an individual employer, the proportion of his total costs which is expended for labor is of vital significance when consider-

ing the impact of changes in wage rates. For example, in an industry where wages represent only 5 percent of the total costs of production, a 20 percent increase in wages would result in only a 1 percent increase in total costs. In contrast, in a plant where wages represent 50 percent of the total cost, a 20 percent wage advance would cause a 10 percent increase in total costs, provided, of course, there were no offsetting savings.

Except in the case of industries engaged in the processing of such relatively cheap raw materials as clay, stone, and sand, labor costs tend to be less in proportion to total costs in industries engaged in the primary processing of raw materials, and more in the fabrication industries. As illustration: In sugar refining more than 75 percent of the total 1939 value of products was expended for raw materials, in petroleum refining almost 80 percent, copper smelting and refining over 90 percent, meat slaughtering and packing 84 percent, flour milling about 78 percent, pig iron production 85 percent, and cigarette manufacturing 78 percent. In none of these industries did total wages (in 1939) represent more than 6 percent of the total value of the products manufactured. In contrast, the cost of raw materials represented less than half the total value of products produced in the machine tool, hosiery, shipbuilding, and bread baking industries, while wages included anywhere from 22 to 37 percent of the total value.

In the service industries, labor costs represent a major portion of all costs, because the materials used are a minor item. For retail trade as a whole, wages and salaries account for about one-half of the total operating costs, although this varies greatly among individual establishments according to location (rent paid) and type of store.

The above represent averages for entire industries. For particular products in any industry, there are considerable differences in the proportion of wage cost to total costs. For certain kinds of garments, for example, wages may represent 70 percent of the total cost of manufacturing, although for the clothing industry as a whole wages include approximately 25 percent of the total value.[3] Also, within a given industry, the various companies'

[3] The above percentages are based on the 1939 census. "Value" of product represents selling value at the factory, which covers cost of production *and*

labor costs in proportion to total costs are greatly affected by whether they engage in the entire processing from raw materials to the completed product, or whether outside contractors do some of the hand operations. The labor costs of an automobile concern which assembles parts purchased from contractors tend to be less per automobile than for a company which makes most of its parts as well as assembles them into finished cars. Wages include 75 percent of the total value of clothing produced in contract shops, in contrast to only 15 to 20 percent in regular "inside" factories.

Fundamentally, these differences in relative labor costs are merely a matter of bookkeeping by individual companies, for they have no significance so far as the relation of total wages to total value of product throughout the entire industry is concerned. However, they may have a major influence upon the wages paid by a particular employer. For example, before unions were sufficiently strong to negotiate industry-wide wage standards, the wages paid in automobile assembly plants and "inside" clothing factories were higher than those paid by automobile parts' producers and in clothing contract shops. The general manufacturers, being in a stronger competitive position, were able to bid one contractor against another; and, since wages represented the contractors' chief item of expense, the bidding was at the expense of the wages paid by the contractors. This was true to such an extent in the clothing industry that contracting shops came to be called "sweatshops."

Effect of Machine Production

The cost of labor relative to total cost of production is affected not only by the type of industry and the structural arrangements for processing within it, but also by the methods used in production. In general, the ratio of labor costs to total costs varies inversely with the degree of mechanization. Where machines play a major role in the productive process, relatively more is expended for machine replacements, repair, and upkeep, and for fuel and power, although further improvements in machinery may reduce fuel and power costs. Because mechanization and enlargement in

profits. There are no data available for costs alone. However, for a comparison of labor versus other costs in the various industries, the use of "value" of completed product offers a feasible basis for measurement.

size of enterprise usually go hand in hand, the amount spent in "overhead" also tends to increase. (The proportion spent for rent, however, may be less if the use of machines results in decreased floor space. Although property taxes may be greater, social security taxes will tend to be less, proportionately, because fewer workers will be employed.) In some industries mechanization has made possible the use of cheaper materials, whereas in others the substitution of machine for hand labor has required the use of more costly materials.

By and large throughout industry, with very few exceptions, the gross cost of items other than labor tends to increase *proportionately* more than gross labor costs as operations are transferred from human hands to power machines. To the extent that this takes place, changes in wage rates become of less importance in the total cost of production.

Table 11 shows the proportion of wage payments to the total value of products for the major industries in 1939. Because there have been many changes in methods of production since 1939, some of these percentages do not accurately reveal the present situation. For example, the introduction of mass production of airplanes during the war more than tripled the man-hour output, thereby greatly reducing proportionate labor costs. Similarly, the recent extension in the use of welding and other new processes in shipbuilding and other metal fabrication industries has greatly affected labor costs in those industries.

Unit Labor Costs

Employers are willing to increase their expenditures for machinery because it greatly reduces their total cost per unit of output; the increased productivity resulting from mechanization and other improved plant equipment much more than offsets the cost of the new machinery and its upkeep. In other words, machine production not only lessens the ratio of labor cost to total costs but also tends to reduce the actual amount paid in wages for each unit produced.

Unit labor costs are affected by two factors: the output achieved per hour of labor, and the wages paid per hour of labor. Unit labor costs thus vary directly with average hourly wages and inversely with productivity. If increases in hourly wages are

TABLE 11. Wages as a Percentage of Value of Product in Selected Industries[4]

	Percent
All manufacturing	16.0
Low Labor Cost Industries	
Cigarettes	2.5
Non-ferrous primary smelting and refining	4.0
Sugar refining (cane)	4.2
Flour and other grain mills	4.4
Blast furnace products	5.1
Petroleum refining	5.2
Meat slaughtering and packing	6.1
Soap	6.2
Medium Labor Cost Industries	
Canned fruits and vegetables	11.1
Crude petroleum	11.3
Malt liquors	11.8
Aluminum	15.0
Paper and pulp mills	15.1
Rubber tires and tubes	15.5
Automobiles and other motor vehicles	16.0
Leather tanning—contract and regular factories	16.4
Cement	16.4
Electrical appliances	17.4
Iron ore mining	18.0
Newspaper printing and publishing	18.3
Rayon goods (broad woven)	19.6
Woolen and worsted—contract and regular factories	20.0
Agricultural machinery	21.0
Steel works and rolling mills	21.0
Book printing and publishing	21.3
Cigars	21.3
Women's dresses—contract and regular factories	21.4
Carpets and rugs (wool)	21.5
Glass containers	21.6
Bread bakeries	22.0
Men's and boys' suits and coats—contract and regular factories	23.4
Furniture (household)	24.9
High Labor Cost Industries	
Shoes (except rubber)	25.0
Commercial job printing	25.8
Cotton goods	26.0
Aircraft and parts	27.7
Machine tools	28.6

[4] Based on 1939 census. Includes all manufacturing, railroad, mining, and construction industries which had a total value of product or service of 500 million dollars or over, in addition to some others of smaller value.

TABLE 11. Wages as a Percentage of Value of Product in Selected Industries—(*Continued*)

High Labor Cost Industries (*Continued*)	Percent
Sawmills	31.0
Building construction	31.0
Shipbuilding and repairing	31.9
Stone quarrying	32.1
Brick and tile	33.7
Hosiery (full fashioned)	36.4
Railroads	41.0
Bituminous coal mining	61.9

matched by increases in output per man-hour, the cost to the employer per unit of output remains the same. If, on the other hand, wage rates increase with no change in output, unit costs advance.

During the period between the two world wars when average wages changed very little, whereas productivity was advancing, average unit labor costs were reduced by about one-third.[5] During World War II there was a greater proportionate increase in wage rates in most industries than in productivity, with the result that in these industries the unit labor costs were higher in 1945 than in 1939. (The selling prices of manufactured products also advanced materially during this period, but price relationships lie outside the scope of this discussion). Since World War II both wage rates and productivity have advanced but there are no comprehensive data yet available as to their relative increase.

WAGES AS A MEANS OF LIVELIHOOD

To the employer, wage payments represent cost expenditures; to employees, wages represent the means by which they and their families live. How well they live depends upon how much they receive in wages and how much they must pay for the things they buy, namely, their "real" wages. The level of living thus depends upon the amount of money which the worker takes home in his pay envelope as well as the prices which he must pay for the goods and services he needs and wants. So far as an entire family is con-

[5] Wages fluctuated during this period, especially during the 1930–1933 depression; but from the limited information available it is estimated that average hourly wages in manufacturing were at about the same level in 1920 as in 1939. Wholesale prices during these years declined 50 percent.

cerned, their level of living is also contingent upon the number of wage earners in the family in relation to the number of persons dependent upon their wages.

From a larger point of view, the standard of living is also vitally influenced by the services and facilities provided by the government from general revenues. Free education and health and recreational facilities contribute greatly toward raising the general standard of living as do also improved highways and government-sponsored housing. To illustrate: In many countries "free schooling" virtually stops with elementary education. One can only speculate upon the effects on the standard of living of the average American wage or even salaried worker if he had to spend $500 a year or more for each child he wished to send to high school. On the other hand, some countries have gone much further than the United States in programs of medical care and child allowances. In Great Britain, Canada, and Australia, for example, it has been government policy within recent years to increase social services rather more than wage increases. In this country also, labor unions are tending to place as much emphasis upon benefit plans as upon wage advances.[6]

Since the subject of the present discussion is *wages* as a means of livelihood, government supplements or indirect contributions to the standard of living will not be mentioned further, except to say that such services should be taken into account when comparing wages and standards of living between different countries, or even between communities within this country.

Meaning of Standard of Living

What, in concrete terms, do we mean by the standard of living and, more especially, what do we mean by the oft-repeated expression the "American standard of living"? Does it mean that no one in this country shall starve? In a world where even in peacetime there is seldom a year in which thousands of people do not die because of lack of food, is it a matter of pride and satisfaction that we in the United States have no mass starvation? As evidence that the fear of starvation is not entirely nonexistent even in this country, we have only to recall the promise "No one shall starve" that

[6] See chap. 14 on Wage Supplements and chap. 27 on Family Allowances.

was used as a political slogan in several presidential campaigns during the 1930's.

Assuming that the American standard of living implies that no one shall starve, does it mean merely that everyone shall have sufficient "bread" in the literal sense, or does it mean that everyone shall be able to procure the quantity and variety of food necessary to insure maximum health and vigor? (The most costly foods for urban industrial workers are not the grain products but milk, meat, fruit, and vegetables.) Does adequate clothing according to the American standard of living mean the minimum number of garments required to clothe the body and protect it from cold, or does adequate clothing imply psychological satisfactions as well as bare physical needs? Does housing mean a "roof over one's head" even though it is the roof of one of the alley shacks within view of the nation's Capitol? Does the American standard of living assume that all our citizens shall have some recreational facilities and access to medical care beyond that provided through charity?

The concept of standard of living means many different things to different people at different times and places. Even a minimum standard is not static or uniform for all persons at the same income level. An automobile a generation ago was a luxury for everyone; today it is a necessity for many workers in some parts of the country, although still a luxury in urban centers like New York City where public transportation is reasonably adequate for necessary traveling. Theater attendance at one time could have been considered a luxury, but motion pictures are now considered a form of entertainment to which everybody is entitled. The dynamic nature of the concept of the standard of living is aptly described by an eminent sociologist as follows:

> As it develops, the standard of living is not describable in simple and unqualified terms. Presently comes an idealization of the actual and customary notion of well-living, an enhancement toward which men reach out. There is a sort of inkling of what might be, and this is gradually attached to the standard, or thrust under it, so that it lifts somewhat. It easily springs up to the limit of what is possible, and is prone to range beyond. At each stage of societal existence new wants arise, and the visualized satisfaction of them enters into the standard. What is seen is a set of prospective adjustments to life-conditions, called for by needs that have sprung out of present adjustment and whose en-

trance has made of the latter, insofar, a maladjustment. What is wanted is something a little farther ahead on the present road. The standard becomes thus a moving, a non-static conception; yet at recurrent intervals of comfortable living, and sometimes for long ones, it appears as what is, rather than as what may be. . . . It is really a sort of indicator as to the character and destiny of a society. If the standard of living remains steady and traditional, sensitiveness to life-conditions and consequent adaptability are shown to be weak, whereas an ever more ambitious standard, implying discontent with what is in comparison with what may be, indicates responsiveness to environment together with some qualities of imagination and foresight. Variability and adaptability can then be counted upon.[7]

Evaluating Levels of Living

Although ever striving to improve their standard of living, most wage earners never attain the standard which they seek and want. Their actual level of living represents an adaptation of aspirations to economic necessity. An individual's or a group of individuals' "plane" or "level" of living refers to the goods and services which can be bought with the money earned, rather than the standard of living actually desired. The level of living, of course, approaches the standard of living as income permits buying more and more of the things needed and desired.

The dual implications of "standard" and "level" of living present some difficulties when one wishes to estimate the cost of living for any particular group of wage earners, for in order to determine costs it is first necessary to know what goods and services are included in the standard budget. The concrete determination of the budgetary content at various levels of living can be made in either of two ways: (1) Hypothetical budgets can be established to include the goods and services which are believed to meet the various standards of adequacy. (2) The actual expenditures of families within different income levels can be described to represent various levels of living. Obviously the latter represents the existing "content" of living to a greater extent than the former, which is influenced by what is *desirable* as well as what is *attainable.*

A number of attempts have been made to define various levels of

[7] W. G. Sumner and A. G. Keller, in Thomas D. Eliot (ed.), *American Standards and Planes of Living,* Ginn & Company, Boston, 1931, pp. 43–44.

living and in some instances these definitions have been translated into concrete budgets or itemized bills of goods and services. Some deal only with budgets which hover around mere subsistence levels of living; others describe budgets which include many comforts and some luxuries. Only a few of these budgets have been priced to estimate total costs.

One of the earliest classifications defined two levels of "decent livelihood"; the lower provided "an unvarying standard that is applicable to all conditions of human existence," and the upper provided the "conventional standard of the community." The former "takes no account of needs based on custom or on any subjective appreciation of the requisites of welfare, nor does it make any allowance for the possibilities of progress. It is measured solely by man's essential and universal needs, and describes in general terms the requisites of normal and reasonable human life. The latter is somewhat more liberal."[8]

Another classification lists four different levels, all applicable to wage earners but covering the better-paid as well as the lowest-income group: (1) The poverty level, which requires supplemental charity to maintain even the barest existence; (2) the minimum of subsistence, which provides for the barest physical existence without outside aid but provides for no social needs; (3) minimum health and decency, which includes meager provision for education, amusement, and insurance; and (4) minimum of comfort standard.[9]

None of the above was ever translated into concrete lists of itemized goods and services, the costs of which could be determined from time to time on the basis of current prices. The first comprehensive attempts at estimating the cost of maintaining an adequate family living were made during and immediately after World War I for the settlement of wage controversies. In 1918 the National War Labor Board prepared and priced two family budgets —a "minimum of subsistence" budget for a family of five costing $1386, and a "minimum comfort" budget costing $1760. A few years later the Bureau of Labor Statistics prepared a list of items

[8] J. A. Ryan, *A Living Wage* (1906), summarized in Eliot, *American Standards and Planes of Living*, p. 60.

[9] Paul H. Douglas, *Wages and the Family*, University of Chicago Press, Chicago, 1925, pp. 41–43.

providing a "minimum quantity budget necessary to maintain a worker's family of five in health and decency," for which the average cost for ten large cities in 1922 was $2282. This budget included no automobile, radio, or beauty-parlor services, which were rare luxuries at that time.

The Heller Committee[10] has prepared standard budgets based on actual expenditures of families living in San Francisco. The one most frequently cited, which is priced at frequent intervals, is the "comfort" budget adapted from the average expenditures of five-person families of skilled wage earners. This budget provides for "adequate food at low cost," a five-room home or apartment in a "working-class neighborhood," the maintenance of a radio and a secondhand automobile, and a small life insurance policy.

The Works Progress Administration formulated and priced two standards of living—the "maintenance budget," which in 1935 for a four-person manual worker's family cost $1261, and the "emergency budget," which cost about 72 percent as much. The maintenance level is described as representing "normal or average minimum requirements with some consideration to psychological values. It is not so liberal as that for a health and decency level which the skilled worker may hope to obtain but it affords more than a minimum of subsistence living. The emergency level provides for material wants almost exclusively, allows for cheaper kinds of foods and less desirable housing than the maintenance budget, and might be questioned on the grounds of health hazards if the family had to live at this level for a considerable period of time."[11]

City Workers' Family Budget in 1947

A new kind of standard of living budget was recently developed by the U. S. Bureau of Labor Statistics[12] which incorporates sci-

[10] Heller Committee for Research in Social Economics, *Cost of Living Studies,* University of California Press, Berkeley.

[11] Works Progress Administration, *Intercity Difference in Cost of Living in March, 1935, 59 Cities,* Research Monograph XII, p. xiii.

[12] This budget was developed by the BLS in response to an instruction from the Labor and Federal Security Subcommittee of the Committee on Appropriations of the House of Representatives "to find out what it costs a worker's family to live in the large cities of the United States." The Bureau was assisted by a Technical Advisory Committee. For foods, the recommendations of the Food and Nutrition Board of the National Research Council set the basic

entific standards of adequacy translated into goods and services revealed by the actual buying practices of families with moderate incomes. It is not a subsistence budget nor is it a luxury budget, but one designed to represent an adequate standard of living—one which will "satisfy prevailing standards of what is necessary for health, efficiency, the nurture of children, and for participation in community activities."[13]

The budget applies to an employed worker's family of four: husband, who is the breadwinner; wife, the homemaker; and two children, a boy 13 years of age in high school and a girl 8, in grade school. The family lives in a separate house or apartment; there are no lodgers or co-tenants, and the husband has no dependents other than his wife and children. The family dwelling, which is rented, contains five rooms, including a kitchen and a bathroom, and is supplied with hot and cold running water. There is at least one window and electric lighting equipment in each room. Heating equipment provides an average room temperature of 70° F. in the winter months, and the dwelling is within reasonable commuting distance of major centers of employment, high schools, churches and shopping centers, and within walking distance of elementary schools. The home is equipped with the usual housefurnishings and the mechanical aids which are considered household necessities—a gas or electric cook stove, a mechanical refrigerator, and a washing machine. The wife does all the housework without paid assistance. Some furniture, appliances, etc., are purchased each year in order to maintain household inventories.

The specific foods and their quantities which are provided in the budget are typical of those purchased by families in the United States whose diets are satisfactory and do not differ greatly in the quantities of calories or nutrients recommended by dieticians. The food budget allows the serving of cheaper cuts of meat several times a week and a chicken or roast on Sunday. About 5 percent of

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standards of nutritional adequacy. For housing, standards established by the American Public Health Association's Committee on the Hygiene of Housing and the Federal Public Housing Administration were adopted. For clothing and other goods and services, actual lists were made on the basis of records of family purchases obtained in surveys made by the Bureau of Labor Statistics over a period of years by interviews with housewives.

[13] Data on the composition of this budget are from the *Monthly Labor Review*, February, 1948.

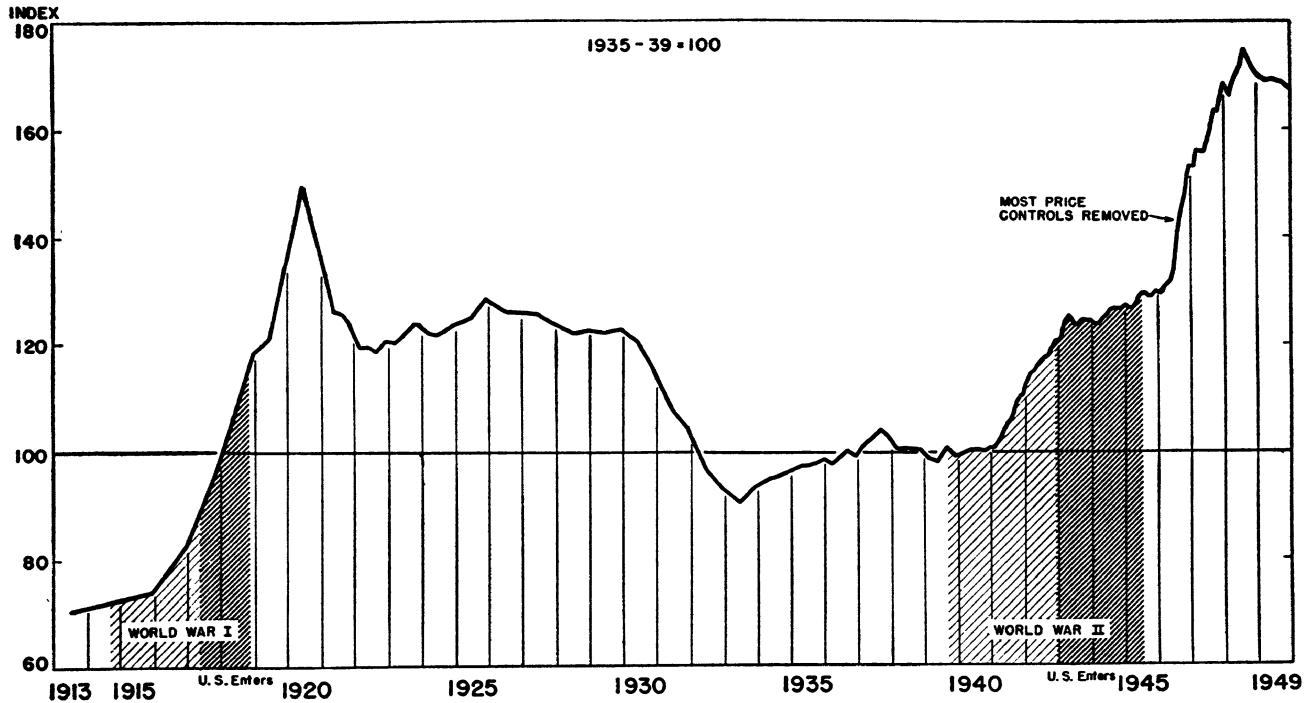

FIG. 20. *Trend in Cost of Living, 1913–1949. (Based on Bureau of Labor Statistics consumer's price index for moderate-income families in large cities.)*

the meals are purchased away from home but most of the lunches are prepared at home and carried to work or school. Two nickel ice cream cones, a 5-cent candy bar, two bottles of soft drinks and a bottle of beer could be purchased each week for the entire family within the amount allowed for food.

The clothing list in the budget provides for the variations in the practices of families who live in distinctly different climates. The general level of the clothing budget includes: for the husband, one heavy wool suit every 2 years, one light wool suit every 3 years, five shirts and two pairs of shoes each year; for the wife, a heavy wool coat every 4 years, four dresses and three pairs of shoes each year; for the boy, one sweater or jacket, two pairs of trousers, three shirts, and three pairs of shoes each year; for the girl, one snow suit or heavy coat every 2 years, four dresses and four pairs of shoes each year.

Transportation allowances include travel to work and to high school and to downtown shopping areas. A trip out of town every 3 or 4 years for a vacation or to visit relatives is also provided. In New York, Chicago, and Philadelphia the local travel is assumed to be by public transportation; in all other large cities the family is assumed to have a "used" automobile, that is, one from 6 to 9 years old when purchased.

The budget provides modest allowances for recreation, education, personal care, and communication. As examples, the family owns a small radio, buys one daily newspaper, 32 copies of some popular-priced magazine a year, and attends the movies once in 3 weeks. The husband has a haircut about once every 3 weeks, the son every 5 weeks, the wife and daughter every 3 months. No telephone is provided in the home but an average of three local calls are allowed each week. Stationery and stamps are included to provide for about one letter a week. In addition to the mandatory local and federal taxes and contributions to social insurance, the family budget includes a small amount for the purchase of life insurance, union dues, and for contributions to churches and philanthropic organizations.

Cost of Family Budget in 34 Large Cities

At 1947 prices this modest but presumed adequate budget for four persons cost from $3004 in New Orleans to $3458 in Wash-

TABLE 12. City Workers' Family Budget Costs in 34 Large Cities in June, 1947[14]

City	Cost of Budget	Relative Differences (Washington, D. C. = 100) Total	Food	Clothing	Housing	Other
Washington, D. C.	$3,458	100	100	100	100	100
Seattle, Wash.	3,388	98	105	99	84	105
New York, N. Y.	3,347	97	105	102	90	90
Milwaukee, Wis.	3,317	96	99	100	88	99
Boston, Mass.	3,310	96	102	91	85	102
Detroit, Mich.	3,293	96	102	96	82	103
Pittsburgh, Pa.	3,291	96	102	98	82	100
Minneapolis, Minn.	3,282	95	99	103	89	93
Chicago, Ill.	3,282	95	101	98	91	91
San Francisco, Calif.	3,317	95	102	97	78	105
Baltimore, Md.	3,260	95	101	90	89	95
St. Louis, Mo.	3,247	94	100	91	88	96
Mobile, Ala.	3,276	94	101	90	89	93
Norfolk, Va.	3,241	94	101	94	81	99
Memphis, Tenn.	3,220	94	101	92	84	96
Los Angeles, Calif.	3,251	94	101	92	75	106
Birmingham, Ala.	3,251	93	102	92	81	97
Richmond, Va.	3,223	93	98	90	89	94
Cleveland, Ohio	3,200	93	101	99	77	98
Portland, Maine	3,200	93	103	90	82	95
Denver, Colo.	3,168	92	100	94	79	96
Philadelphia, Pa.	3,203	92	102	94	79	93
Scranton, Pa.	3,163	92	101	98	76	95
Savannah, Ga.	3,150	92	102	85	83	93
Portland, Oreg.	3,161	92	98	90	77	100
Atlanta, Ga.	3,150	92	100	90	82	92
Jacksonville, Fla.	3,135	91	100	90	77	98
Manchester, N. H.	3,132	91	102	89	77	94
Cincinnati, Ohio	3,119	91	96	96	79	94
Buffalo, N. Y.	3,095	90	100	94	73	95
Indianapolis, Ind.	3,098	90	97	89	77	94
Kansas City, Mo.	3,010	88	98	89	70	94
Houston, Texas	3,007	88	99	87	71	93
New Orleans, La.	3,004	88	102	92	65	93

ington, D. C. Although the difference between the lowest and the highest cities among the 34 surveyed by the Bureau of Labor Statistics was approximately $450, when the three highest and the three lowest cities are not taken into account, the intercity differ-

[14] *Ibid.*, pp. 152–153.

ences were less than $200 and the range of differences among the ten middle cities amounted to only $60.

The principal factor in the intercity differences was cost of housing. Thus, Washington and New York were among the high-cost cities largely because the cost of housing was high; New Orleans and Houston were among the low-cost cities largely because their cost of housing was relatively low. The range in the cost of food between the highest- and lowest-cost cities was less than $100, and clothing costs did not vary greatly except where climate was a factor.

This and other studies show that the relative position of a city in the cost scale does not remain fixed indefinitely; for example, before the war the cities of the Pacific Northwest were among the lower-cost cities in the United States. The rapid rise in living costs accompanying the great wartime growth of those cities brought them into the higher-cost brackets. Consequently, it is erroneous to assume that any particular city is in any permanent sense a "cheaper" place to live than another city. Furthermore, it is impossible to conclude that living costs vary according to region or size of city since variations within regions, and among cities of approximately equal size, are as great as among all the cities in the country, as is shown in Table 12.

The relative cost of the different elements in a family budget varies according to the prices prevailing in the different cities; it also varies from time to time as prices of commodities change. During periods of less erratic movements of prices than we have had during the past decade, the distribution of the cost of various categories in wage-earner family budgets is about as follows:

	Percent of Total Budget
Food	35
Housing, including fuel, electricity, gas and furnishings	30
Clothing	11
Medical care	6
Transportation	9
Other goods and services	10
	100

Budgets of Different Sized Families

The above described budget is for a "typical" family of man, wife and two school children. Actually, only a portion of wage-

earners' families are of that size and composition, and the cost of this budget to determine adequacy of wage earners' wages is useful only as a general guide. Living costs in relation to character of family may be considered of two kinds: those which vary directly with the number and age of family; and the "overhead" costs which vary comparatively little among different family types. Accordingly, the cost of maintaining a family at a given level of living does not increase in direct proportion to its size because successive additions to the family cause smaller and smaller additions to the cost. Although two cannot live as cheaply as one, it does not cost *twice* as much for two as for one. According to estimates made by the Bureau of Labor Statistics, the costs of goods and services for a family of two persons is about 65 percent of the costs for a family of four; a family of three persons is about 84 percent; a family of five persons about 115 percent; a family of six persons about 129 percent.

Trend in the Cost of Living

To determine the "real" wages received by workers at any given time it is necessary to know the prices which they must pay for the things they buy, as well as the money wages they receive at that particular time. The Bureau of Labor Statistics consumers' price index (more commonly referred to as the cost of living index) shows the trend of retail prices of the goods and services purchased by city families of moderate income. It indicates how much more or less it costs in any year (or month) compared to any other year (or month) to buy a bill of goods and services typically purchased by an urban family with moderate income. It is a *national* average, combining city indexes for 34 large cities for all goods and services, and food prices for additional cities. The list of goods now priced for the index includes approximately 200 articles and essential services. For many goods a number of different grades and qualities are priced.

When a change occurs in consumption habits and a particular article is no longer representative of current wage-earner purchases, another article is substituted, of approximately the same grade, that serves the same purpose. When new models of automobiles, radios, refrigerators, vacuum cleaners and washing machines are introduced, the practice is to use the price of the largest

selling lines of the current model. Taxes paid by wage earners on their incomes have not been taken into account, and social security taxes are treated as savings and omitted from the index. Retail sales taxes, however, and automobile and other consumption taxes are specifically included, and property taxes are implicitly included in rental costs.

TABLE 13. Trend in Consumers' Prices, 1913–1950[15]
(Index Numbers 1935–1939 = 100)

1913	70.7	1928	122.6	1943	123.6
1914	71.8	1929	122.5	1944	125.5
1915	72.5	1930	119.4	1945	128.4
1916	77.9	1931	108.7	1946	139.3
1917	91.6	1932	97.6	1947	159.2
1918	107.5	1933	92.4	1948	171.2
1919	123.8	1934	95.7	1949	169.2
1920	143.3	1935	98.1	1950	172.2
1921	127.7	1936	99.1		
1922	119.7	1937	102.7		
1923	121.9	1938	100.8		
1924	122.2	1939	99.4		
1925	125.4	1940	100.2		
1926	126.4	1941	105.2		
1927	124.0	1942	116.5		

WAGES AS PURCHASING POWER

Wage earners and their families form a large and important segment of the market for consumer goods and services. Wages therefore provide the ultimate means by which most of the goods produced are taken off the market. It is not only the amount of the aggregate wages which affects purchasing power, but also the general levels of wages received by the various groups of workers. With the same total national pay roll, the pattern of purchasing would be radically different if half the workers were employed at relatively high wages while the other half were only partially employed or were earning extremely low wages. Thus, the volume and kinds of goods and services purchased are affected by both the numbers and the proportions of families at various levels of income.

[15] Official index of U. S. Bureau of Labor Statistics. Prices are for moderate-income urban families.

Expenditures by Level of Income

In a consideration of wages as purchasing power, it is necessary to know how families of various incomes spend their money and how general purchases would be affected by changes in levels of wages. The best-known generalization about family expenditures is called Engels' Law, and was enunciated by an engineer, Friedrich Engels, on the basis of studies of Belgian workingmen's families in the 1890's. The theory states that "the proportion of outgo used

TABLE 14. Average Weekly Family Food Expenditures in Washington, D. C. at Three Income Levels, 1948[16]

	$2000–3000		$4000–5000		$7500–10,000	
	$	%	$	%	$	%
All food	18.23	100	23.68	100	30.17	100
Meat, poultry, fish	5.82	32	6.96	29	11.07	37
Dairy products and eggs	4.45	24	5.85	25	6.31	21
Cereal and bakery products	2.29	13	2.64	11	3.04	10
Fruits and vegetables	2.79	15	4.26	18	5.91	19
Miscellaneous	2.88	16	3.97	17	3.84	13

for food, other things being equal, is the best measure of the level of living of the population," and further that "the poorer an individual, a family or a people, the greater must be the percentage of the income necessary for the maintenance of physical sustenance, and again of this a greater portion must be allowed for food." Studies of workers' expenditures in our own and other countries confirm Engels' Law, that the percentage of income spent on food

[16] Families are classified by total 1947 money income after payment of personal taxes. The average size of family household in these income levels varied from 3.3 to 3.6 members. The study is based on purchases during one week in February–March, 1948, for food for home use.

The relatively high proportion of expenditures for meat in the $2000–3000 income level as compared to the $4000–5000 level is due to the higher expenditures for meat by Negro families. The study indicated that white families with $2000–3000 incomes spent about 27 percent of their total food expenditures for meat, poultry, and fish in contrast to 38 percent by Negroes. The probable reasons for the higher meat purchases by Negro families are the higher proportion who are engaged in heavy manual work, and the fact that the men customarily depend upon lunches which are prepared at home. Restaurant meals are not included in the food expenditures shown in the table. (*Monthly Labor Review*, June, 1949.)

tends to vary inversely with the level of income, although the actual food expenditures of higher-income families are more than those of low-income families.

This generalization on the proportion of income spent for food has been extended by other investigators to the kinds of foods purchased. Numerous recent studies of food purchases of families indicate that the proportion spent for fruits and vegetables increases as incomes increase, and that cereal purchases are proportionately higher among the lower-income families.

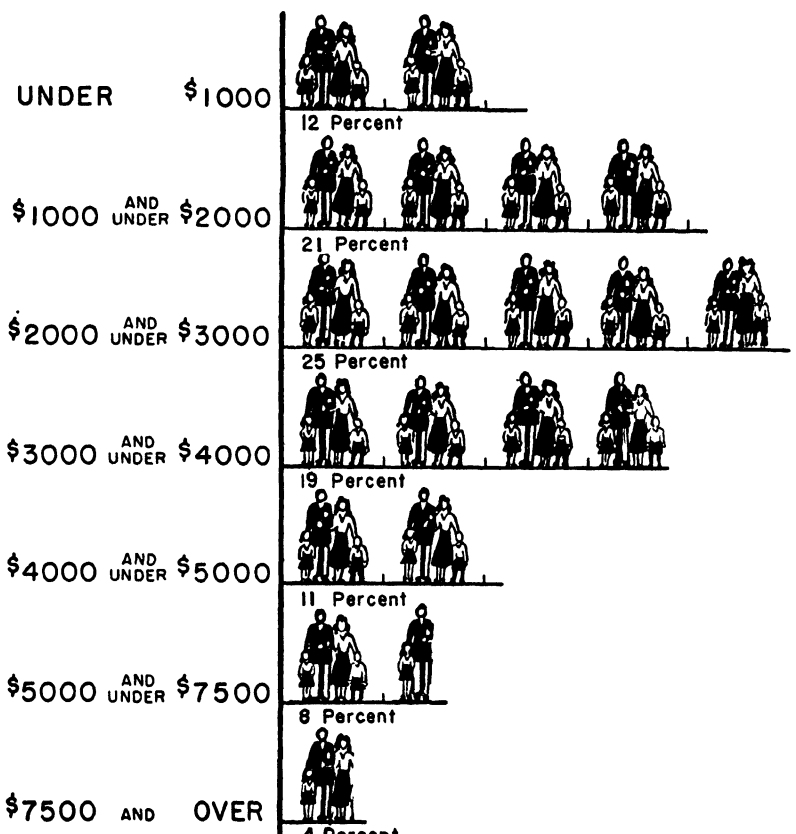

FIG. 21. *Distribution of Spending Units by Income Levels, After Federal Income Tax, 1948. (Source: President's Economic Report, July, 1949.)*

The effect of level of income upon food purchases is revealed in Table 14 which shows that the weekly food expenditures of families with incomes of over $7500 are at least two-thirds more than the $2000–3000 income families. Purchasing potentialities for other goods and services were revealed in a study made in 1944 which indicated that families consisting of four persons who had an average annual income of approximately $5000 spent twice as much for clothing, almost three times as much for recreation, and about 70 percent more for housing, than families of equal size with an average income of $1800. However, the food budget of the $5000-income families amounted to only 22 percent of their total expenditures, in contrast to 40 percent for the lower-income families.[17]

The purchases made on the $5000 annual income cited above do not refer to the mass of wage-earners' families, as few of them have incomes of that amount. In fact, a study made in a typical city (Indianapolis) in 1946 indicated that the income of two out of every nine families (22 percent) with a male breadwinner was below that necessary to pay for an adequate budget. One-third of all single women and one-fifth of the single men had incomes too low to maintain the budget level estimated for single persons.[18] In 1948, as shown in Fig. 21, a third of all spending units (that is, related persons who pool their income as well as single persons not in family units) had incomes of less than $2000 after paying their federal taxes.

Family Income and Individual Earnings

Total family income is affected not only by the earnings of the principal wage earner, but also by the number of earners in the family. One of the factors which accounts for the rise in family income during recent years is the increased employment of wives and other family members, in addition to the heads of families. Although these earners are often only part-time workers, they have an important influence on the economic level of the family. About one-third of all families in the United States have two or more paid workers, and the incomes of these families are consider-

[17] *Monthly Labor Review,* January, 1946.

[18] *Monthly Labor Review,* February, 1948, p. 177. The study included self-employed persons, salesmen and others on commissions, as well as wage earners.

ably higher, on the average, than those of families having only one paid worker. In 1947, for example, the median income of families having one paid worker was $2700; the median for families with two paid workers was $3800; and that for families with three or more paid workers was $5300.[19]

Many families are able to have automobiles and other comforts and luxuries because of the presence of more than one earner in the household. This raises the question whether or not, in a consideration of wage rates and the cost of living, it should be assumed that one adult's wages should be sufficient to cover all the family's expenses. In 1949 the labor force included almost 8 million married women whose husbands were living with their families; over a million of these women had children under 5 years of age. The total income of more than 40 percent of these families, however, was less than $3000.[20] If family purchases of bare necessities, as well as luxuries, are contingent upon a second or third earner in the family, this obviously has general economic as well as sociological implications.

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CHAPTER 12

WAGE STRUCTURE

GENERAL PRINCIPLES AND THEORIES REGARDING THE BASIS FOR wage determination seem very remote to the student who is dickering for a part-time job at the corner drugstore to help pay his college expenses, to the worker who depends upon his union to bargain the highest wage it can for him, to the woman who is pondering whether or not to employ a maid so that she may return to the job she had before her marriage, to the employer who is figuring his labor costs and his next weekly pay roll. Yet, remote as it may seem, the amount of wages received or paid by each of these persons represents the confluence of many interrelated impersonal factors, as well as the deliberate decisions of individuals and organized groups of people.

The wage rates prevailing at any given time or place are the result of a complex of forces stemming from past as well as current influences. Fundamentally, the general economic situation and the competitive position of the individual industry and employer concerned are the ultimate determinants of the upper limits of wage levels; but custom and social policy, organized and individual bargaining strength, and other factors all affect the wages which are paid under any given circumstances. Although there are dominant factors which influence the general movement of wages over a period of time, there is no one logical explanation to account for any of the different rates paid in the myriad of jobs throughout industry. Indeed, the most outstanding characteristic of the existing wage rate structure is the absence of any consistent pattern which can be explained on any logical basis or within the scope of any one general principle.

Preceding chapters have discussed the various theories which attempt to explain what proportion of the total income of business goes to labor in the form of wages, and what proportion goes to the other factors involved in production; also what any given amount of wages means in terms of cost of production and stand-

ard of living. They discussed wages as lump sums of money, the total amounts paid to and received by labor. This chapter will deal with *specific* wage rates, what factors determine the rates received by particular groups of workers and how these various rates compare with one another.

FACTORS AFFECTING SPECIFIC RATES

The existing wage structure throughout all industry represents a composite of thousands of job rates, some of which have been established through formal collective bargaining, some by arbitration and legislation, some by "scientific" job evaluation, and many through informal agreement between individual employers and workers. When each of these rates was established, whether through formal procedure or otherwise, a number of factors entered into its determination, although not all were discussed or given conscious consideration by the parties making the determination. Consciously or unconsciously, new rates are established on a basis of comparison with other rates already in existence, and seldom are all the factors which influenced the existing rates considered or even known when new rates are being determined.

Every rate has its roots in past experience, although changes are constantly being made in response to new conditions and influences. Productivity and social policy are fundamental factors which underlie the *general* wage structure at any time, and these are discussed in detail in other chapters. Some of the more important criteria which enter into *specific* rate determinations are:

Internal Job Factors

1. Training and skill requirements of the job.
2. Custom.
3. Responsibility and authority attached to the job.
4. Opportunities for advancement.
5. Regularity of employment.
6. Unpleasant or hazardous nature of the job.
7. Perquisites.

External Factors

8. Employer's financial condition.
9. Prevailing wage for similar work.
10. Cost of living.

11. The labor market.
12. Potential substitutes for labor.
13. Elasticity or inelasticity of the demand for the product.
14. Strength of union organization.

Half of the above, it will be noticed, have to do with influences and situations not inherently a part of the job itself, while the others are related to the characteristics and conditions of the job. Although no one criterion stands alone as the sole determinant of any rate, not all of them are taken into consideration in every wage settlement, and the emphasis and weight attached to each varies according to circumstances. This is necessarily true because wages, by their very nature, represent expedient agreements between the buyers and sellers of labor, each of whom is thinking in terms of his own interests and his present and future welfare. There can be no definitive answer regarding the emphasis which should or can be assigned the various criteria that enter into day-to-day wage determinations; we can merely discuss some of the aspects and problems connected with each, and some of the arguments of the parties who are most directly concerned.

Training and Skill Required

Occupational rate differences may stem from the relative scarcity or abundance of qualified workers to perform specific tasks. The reasons and justification for such differences, however, go much further than the numerical relationship of men to jobs. The higher rates paid for skilled work represent both a reward and an incentive. They are a reward for the time and effort spent in learning the trade and an inducement to perform the more difficult tasks.

Regardless of differences of opinion between the payers and the receivers of wages with respect to minimum wage levels, employers themselves realize the importance of wage differentials as incentives to make persons willing to learn and to perform skilled operations. The initial policy of communist Russia was based on the idealistic principle "From each according to his ability, to each according to his need"; but the Soviet government, as an employer, soon learned that it was necessary to relate wages to skill and performance—that *above* minimum wages must be paid to obtain an *above* minimum work effort.

To accept the principle of wage differentials according to training and skill requirements does not provide the answer as to how much these differences shall be in a given wage dispute; neither does it preclude the possibility that some of the existing differences between occupational rates are due, in part at least, to other factors such as the bargaining strength of the particular group of workers concerned, or merely to custom. During recent years the policy of some of the industrial unions has tended to reduce the spread between the rates of skilled and unskilled workers. Minimum wage legislation and the dilution of skilled handicrafts as a result of mechanization have also caused a narrowing in occupational rate differences.

Custom

At first glance, customary and prevailing wages may appear to be synonymous, but there is a distinction. "Prevailing" applies to what predominantly obtains, regardless of its origins or causes, whereas "custom" refers more to the state of mind or habitual attitude which determines what *shall* prevail. Prevailing wages are the result of overt action as well as custom or tradition. For example, the prevailing wages of women are in general lower than those of men, largely because it has been customary to think that they should be. Some but not all of this difference would disappear if the principle of equal pay for equal work were actually put into effect. This does not mean that the *average* wages of women would necessarily equal those of men, because a larger proportion of women may be doing unskilled work. But there is no doubt that the prevailing wages on many so-called "women's jobs" would be higher if they were based solely on skill and other objective factors. Another illustration of the influence of "custom" is the relatively lower wages which are paid in the southern sections of our country. Many of the North-South differences are not justified on the basis of productivity, cost of living, or any other objective factors, as is indicated later, but represent holdover attitudes and practices of a rural, slave economy.

Responsibility and Authority Attached to the Job

Closely akin, but somewhat distinct from skill requirements, is the factor of responsibility attached to the particular job. A "re-

sponsible" job may be so rated because of the costs involved if mistakes or errors in judgment are made, or because it involves the supervision or checking of the work of others. Higher wages may be paid on a job which entails the possibility of damaging very expensive machines or materials, even though it requires no greater skill than other jobs where the cost risks are not as great. Higher wages for supervisory jobs are justified for both pecuniary and psychological reasons. They give prestige to the job and offer an inducement to persons who are willing and able to undertake the onerous task of being responsible for the work of others.

Opportunities for Advancement

Wages for particular jobs may be relatively low because these jobs are stepping stones to higher jobs and the time spent on them is considered in the nature of an apprenticeship. Thus, bank messenger jobs may pay less than custodial work although they require considerably more intelligence and a greater sense of responsibility; the messengers, however, do not expect to stay on these jobs indefinitely and hence accept them because they offer opportunities for advancement. Similarly, the wages of helpers and apprentices to journeymen craftsmen may be less than those of common laborers although the skill requirements of the former are much higher.

Regularity of Employment

With some important exceptions, the hourly wage rates for casual and seasonal jobs tend to be higher than those paid for comparable jobs which provide regular employment. An outstanding example is the building-trades rates for outside construction workers compared to those paid inside maintenance workers employed on a year-round basis. A portion of the hourly wages received by carpenters, plumbers, and so forth, engaged in home and other building construction is in the nature of unemployment pay, representing partial compensation for the time lost between jobs and because of inclement weather. Important exceptions to this tendency are the wages of migratory agricultural workers where a surplus of unorganized labor has made it impossible for them to command higher wages, and those paid on seasonal jobs where women are employed who do not want year-round employment—

for example, in retail trade where housewives are employed during the Christmas and other busy seasons.

Unpleasant or Hazardous Nature of the Job

Jobs which are especially hazardous or unpleasant, or require unusual strength and endurance, commonly but not always pay higher rates than work of comparable skill under more favorable working conditions. Comparatively high wages are paid sand hogs who work under air pressure sinking caissons for under-water tunnels; "penalty" rates are paid longshoremen for handling explosives and acids which give off unpleasant or dangerous fumes; the rates of steeplejack painters and those who operate spray guns are usually higher than those paid ordinary brush painters. Here again, other factors may have more influence than that of job hazard. One of the most hazardous types of employment, according to statistical evidence, is coal mining, and to many persons such underground work would seem one of the most unpleasant types of employment. But the wages of coal miners were relatively low before the union became sufficiently strong to raise the general wage level.

Perquisites

In some types of employment the presence or absence of perquisites is an important factor in wage determination. The privilege of retail clerks to buy goods at a discount, or railroad men and their families to travel free or at a discount, is a factor which both employers and workers take into consideration. In many service trades, the question of whether or not uniforms are to be furnished and laundered by the employer is frequently an issue. When meals and lodging are furnished, this is usually taken into account in determining the monetary wage rate, although there is always a question of how much to allow for lodging when the nature of the work—for example, that of seamen—requires absence from home and, presumably, the maintenance of the worker's family on shore.

Employer's Financial Condition

A company's ability to pay any proposed amount of wages is a fundamental issue in most wage negotiations. In the long run, a company's ability to pay represents the outside limit beyond

which wages cannot go; if an employer's wage bill is higher than he can afford he will eventually go bankrupt or close his business. In any given case of wage negotiations, however, there may be wide differences of opinion as to the company's ability to meet specific wage demands, for the issue is much more than a matter of bookkeeping.

The question of an employer's ability to meet a given wage demand involves the basic principle of how the company's total income should be distributed between those who furnish capital and take business risks and those who furnish labor. It raises the question of how much, if any, of the year's income should be withheld from distribution altogether, and laid aside for future contingencies and expansion. It also raises the question whether economies could be effected in the present operation of the business which would offset the costs of proposed wage increases, namely, the possibilities of improvement in productivity. In actual practice, numbers of wage increases have been agreed upon on the assumption that certain changes in methods of management and production would be introduced which would compensate for the additional wage costs. Involved in a company's ability to pay a specified wage is the relative importance of wage costs to total costs, discussed elsewhere.

In some industries the wage rates are geared to the grade or price of the product manufactured or the services rendered, thus indirectly reflecting the ability of the employer to pay higher or lower scales of wages. In clothing and shoe manufacturing, for example, rates tend to be higher in plants producing more expensive garments and footwear; in hotels and restaurants earnings tend to differ according to the grade of the establishment; in metal mining, in times past, it was common practice to have a sliding scale of wages which fluctuated with the price of copper, lead, silver, or other metal mined. This latter practice has been largely discontinued where unions have grown sufficiently strong to demand a change in policy. Most workers object to the principle of sliding scales for the same reason that they oppose automatic adjustments of wages to cost of living indexes, for when profits increase without price changes the workers do not share in the benefits. Gearing wages to the selling price of the product has the additional disadvantage that the price of any one commodity may

be advanced or reduced without reference to the general prosperity, so that a sliding scale of wages in a particular industry may take an opposite direction to wages generally, or to the cost of living.

The question of a company's ability to pay impinges upon other considerations which concern the general public as well as those directly involved in the paying or receiving of wages. Suppose a particular company cannot afford to pay the prevailing wage or even a bare minimum living wage. Should the union jeopardize the general wage level for that industry by allowing this employer to pay less than the prevailing wage? Should the community indirectly subsidize the employer by supplementing his low wages with private charity or public relief for the families of his employees? Suppose these low wages enable this employer to lower his prices and thus give him a competitive advantage over other companies, thereby forcing the latter, in turn, to lower their wages. These are very real problems which many communities, workers, unions, and employers have had to face, especially in declining industries and in small, one-industry towns which offer few or no alternative employment opportunities.

Let us consider the reverse situation. Suppose a particular company is much more prosperous than its competitors because of natural advantages or some other reason, such as having exclusive patent rights to a new process. Should this company pay substantially more than the prevailing wages, thus attracting all the best workers and thereby accentuating the difficulties of the other companies in surviving? If this company happens to be a large corporation approaching quasi-monopoly proportions, is it sound social policy to encourage or allow a disparity of wage rates which would work to the disadvantage of smaller concerns? Or is it better for all concerned, employers and employees, to have more or less uniform wages throughout an industry, which would mean, of course, that the wages of the more prosperous companies were not proportionate to their ability to pay?[1]

[1] A good illustration of this problem is seen in coal mining, where the condition of the natural resources at the various mines largely determines the relative costs of production. Although many coal companies operate at a profit, the industry as a whole operated at a net loss almost continuously during the 1920's and 1930's. At the same time, operators of low-cost mines pay wages on the basis of what the high-cost mines pay.

Prevailing Wages for Similar Work

One of the most prevalent criteria for determining new wage rates and measuring existing rates is the scale of wages paid for similar kinds of work in other industries and by competitors. During a wage dispute, employers and unions are anxious to prove or disprove the contention that existing wages compare favorably with those paid elsewhere, and the payment of prevailing wages is commonly associated with the concept of "fair" wages. An arbitrator is prone to make a favorable award to any group of workers who are seeking to have their wages increased to prevailing levels, although compromises are sometimes made to allow marginal firms who cannot pay these rates to remain in business.

In any particular wage dispute, however, there may be wide differences of opinion whether to use, as a basis for comparison, the wages prevailing within the community or within the industry concerned. This question involves fundamental principles and has important repercussions. If plant A happens to be located in a low-wage area and wages are based on prevailing wages in the community, employer A obviously has an advantage over his competitors located elsewhere and the latter are encouraged to move into low-wage areas. If, on the other hand, wages in plant A are based on those prevailing throughout that particular industry, they will be "out of line" with other wages in the community and will work to the disadvantage of other local employers. If the cost of living is also lower in this community (it does not necessarily follow that the cost of living is lower in communities where wages are comparatively low), the workers in plant A will receive higher "real" wages than other workers in the same industry who are employed in plants located elsewhere.[2]

[2] The National War Labor Board was constantly faced with the problem of community wage levels versus prevailing wages in the industry. The cornerstone of the war stabilization program was the adjustment of all rates in accordance with what the Board called the "going rates" or "sound and tested" rates in the community. However, the Board stated that its policy "may cease to be appropriate when labor is transferred to the peacetime production of goods whose prices will be again subject to competitive conditions, usually in a national market. Under such circumstances wage-rate relationships between competitors within an industry may be even more important than wage rates paid in other industries in the local labor market." (National War Labor Board letter to the President, February, 1945.)

Irrespective of the basis used for determining prevailing wages, it is obvious that if wage adjustments were solely contingent upon their measuring up to prevailing rates, there would never be any rise in existing levels. If there is to be any advancement in the trend of wages in line with industrial and social progress, there must be a breakthrough somewhere; some employers or group of employers must increase wages beyond the prevailing rates. It is at this point that other factors, such as the financial condition of the employer or of the entire industry, are taken into consideration, on the basis of the principle that those who can afford to pay higher rates than those currently in effect should serve as the vanguard of a general rise in wage levels.

Cost of Living

Theoretically, as was discussed in Chapter 10, general wage levels over an extended period of time cannot fall below the cost of family subsistence unless the government adopts the policy of subsidizing low-wage earners through public relief measures. But this does not preclude the theory, or the possibility, that many individual rates can fall below the cost of subsistence for either a short period of time or indefinitely. Actually, many "going" minimum rates are below what could reasonably be considered sufficient to provide subsistence living for an average-sized workingman's family. This is true in certain areas and occupations in normal times; it is even more true during business depressions, such as the early 1930's when many rates fell to 15 and 20 cents an hour.

The principle that the cost of subsistence should be the basis for determining all minimum rates is not accepted by all employers or by others, such as legislators, who have to do with wage setting. There are also differences of opinion as to what constitutes the basis for measuring subsistence living. Should minimum wages be determined on the cost of maintaining a family or only the wage earner? This is a moot question, especially with respect to legal and other wage determinations for women workers discussed in a later chapter. Should a subsistence wage include provision for minimum day-to-day living and assume that private charity or public assistance will provide for medical care and other irregular but inevitable contingencies? Should it be assumed that the cost of

living is to be the basis for determining minimum wages for able-bodied workers of at least average intelligence, and that less than subsistence wages are appropriate for submarginal workers who should look to charity or the government to supplement their earnings?

The above pose some of the problems with respect to *minimum* wages, but there is also the question of the relationship of the general level of wages to *changes* in the cost of living. Should all wage rates, minimum and above minimum, be raised when there is a rise in consumer prices and be lowered when prices decline? Although organized labor during periods of rising prices has stressed the importance of the cost of living in negotiating wage changes, workers and their unions have always opposed the principle of gearing the level of wages to the cost of living alone. The reason is obvious, for any automatic plan of tying wages to price changes would have the effect of depriving workers of what they consider their share of the benefits of expanding business and increased labor productivity. It would freeze standards of living at *present* levels, regardless of their adequacy or of what an employer can afford to pay.[3]

That a mere adjustment of wage rates to a cost of living index would have the effect of maintaining but never increasing "real" wages is true, of course, to the extent that the content of the budget upon which the index is based is not changed to take rising standards of living into account. If the budget upon which the index is based were adjusted from time to time, a stationary level of "real" wages would actually reflect changes in living standards. As explained in the preceding chapter, there have been some changes in the budget used by the Bureau of Labor Statistics for pricing. During recent years, for example, it has included the maintenance of a small radio and an automobile. Such changes in

[3] An interesting example of the application of the two principles of cost of living and rising standard of living is found in the General Motors Corporation agreement signed in May, 1950, by both the C. I. O. Automobile and Electrical Workers unions. This agreement, which is effective until 1955, provides for automatic wage adjustments in accordance with the price index of the Bureau of Labor Statistics, unlimited upward but limited downward to a point no lower than the 1950 basic rates, *and* a guaranteed annual increase of 4 cents an hour. The agreement thus provides for both the maintenance of real wages and gradual advance in standard of living, the latter premised on the workers' sharing in the industry's anticipated increase in productivity.

the budget, however, are posterior; they are made after consumer purchasing habits reveal that such items are commonly used—an indication, obviously, that the income of workers has permitted such purchases.

The Labor Market

In a completely laissez-faire economy the condition of the labor market in relation to the need for labor would be the ultimate determinant of all wage rates because the cash value of everything would be determined solely by its utility and scarcity. In our present-day society there are forces and controls which mitigate some of the automatic operation of the law of supply and demand as it affects wages. Laws and union pressure intervene to alleviate some of the effects of a redundancy of labor and act as a brake on the downward swing of wages. Seldom, however, do such forces intervene in the upward movement of wages, especially in a situation in which the higher wages result from a scarcity of particular skills.[4] "Union" rates, for example, are usually base rates for the job; they do not preclude an employer paying higher than union rates if the scarcity of qualified workers compels him to do so. Even in the establishment of minimum or base rates, union and legal controls are influenced, and sometimes become inoperative, when there are abnormal surpluses in the labor market. During the mass unemployment of the 1930's many of the union rates specified in the building-trades agreements became mere "paper" rates as union members competed for the few jobs that were available.

Regardless of any other factor, the circumstances of a scarcity or abundance of qualified workers at the time and place needed have a major influence on the amount of wages paid. Common laborers in an extremely isolated community may receive wages as high as those paid skilled workers in other communities; the wages of skilled workers in a pioneer, rapidly expanding country are likely to be higher than the rates for similar work in an older community. This was illustrated by the condition existing in early colonial times. In 1633 Governor Winthrop of the Massachusetts

[4] The outstanding exception was the government wage stabilization program during the 1940's war and postwar reconversion period. Government experiences with setting ceilings as well as floors for wages are discussed in the next chapter.

Bay Colony noted that the "scarcity of workers caused them to raise their wages to an excessive rate"; a quarter of a century later the colonial governor of North Carolina complained that "the Price of Labour is very high . . . the artificers and labourers being scarce . . ."; in 1698 an historian of Pennsylvania asserted that "Poor People of all kinds can here get three times the wages for their Labour they can in England or Wales."[5]

Potential Substitutes for Labor

Wages at any given time or place are influenced not only by the existing but also by the potential possibilities within the labor market, that is, by the presence or absence of competitive kinds of labor or substitutes for human labor. The fear of being replaced by immigrants or by women willing to accept lower wages has frequently served as a restraining influence upon demands for higher wages. Likewise workers who are aware of the imminent substitution of a newly invented machine for their hand labor are not likely to press for a wage increase; they may, in fact, accept a wage decrease.

The influence of potential substitutes may be indirect and may not involve immediate changes in the particular jobs in which wages are under discussion. In order to obtain "coöperation" from his employees, the employer may need only to suggest that he will transfer these operations elsewhere, or contract this portion of the work to another employer who will utilize the cheaper labor or more economical machines. The long-established and powerful Typographical Union is now experiencing the threat of the Varitype process which eliminates typesetting, and this "club which the publishers hold" is vitally affecting the terms of the agreements which the publishers and the union are now negotiating.[6]

Elasticity or Inelasticity of the Demand for the Product

Closely akin to an employer's ability to pay is the relative elasticity of the demand for a given product or service. During a busi-

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[5] Bureau of Labor Statistics, *History of Wages in the U. S. from Colonial Times to 1928,* Bulletin No. 604, p. 7.

[6] In self-protection, the union is seeking to obtain jurisdiction over Varitype operators, but the publishers up to this time have successfully thwarted this extension of the union's jurisdiction.

ness depression the wages of persons attached to luxury industries tend to decline more than the wages of people who are providing necessities; the earnings of caterers, for example, may drop proportionately more than those of waiters in moderate-priced and cheap restaurants. Even in normal times there is a great deal of competition for the consumer's dollar; and, to the extent that wages affect prices, wages are more or less influenced by the consumer's willingness to buy or not buy certain products or kinds of services. The average family spends more for automobiles and radios than it did twenty-five years ago, and this is reflected in the wages in these industries. The wages of beauty parlor operators are more susceptible to elasticity of demand than those of barbers since women can "do their own hair," or at least are more willing to, if the cost of professional service seems too high. The elasticity of demand may not be a measure of what many would consider sound social values but nevertheless it represents a measure of the willingness to pay. Thus communities are sometimes willing to lose their schoolteachers rather than increase their pay.

Strength of Union Organization

The general theory and philosophy of collective bargaining *per se* are discussed elsewhere; in this chapter we are concerned with the impact of collective bargaining upon specific wage rates and the influence of various union policies upon the wage structure within particular industries and trades.

The dominant concern of organized workers, and indeed all workers, is to improve and protect their wage standards. "Fair" wages usually connotes "more" wages in the minds of those who work for wages, since wage earners, like business and professional persons, are never content with what they have but are constantly seeking to improve their economic and social status. To this end, unions strive to take advantage of every opportunity to obtain wage increases and to remove the competitive menace of low wages. Although these two courses lead to the same goal, they may conflict in a particular situation, in which case the union must decide where to lay greater emphasis, that is, whether to strive to bring up the rear before advancing further, or to drive forward at strategic times and places regardless of how wages lag behind elsewhere.

Union Versus Nonunion Wages. In general, wages in organized plants are anywhere from 10 to 30 percent higher than in unorganized plants engaged in similar lines of work. It is almost impossible to make any accurate comparisons, however, because of the difficulty of isolating the influence of unionization from the other factors which affect wage levels. Within any industry, unionization may be confined to the larger plants or it may be much more extensive in northern than in southern regions. If this is the case, the higher wages prevailing in unionized plants may be due as much to the size and location of the plants as to the fact of unionization, although it might be argued that the wages paid in the smaller plants, or those located in the South, would be higher if they were under collective bargaining agreements. In some industries wages may be higher in the smaller-sized plants than in the larger plants, regardless of unionization, because jobs are less mechanized and therefore require a higher and more varied degree of manual skill.

At a given time, union rates may actually reflect nonunion conditions because of the recency of union organization. An illustration is the union bakeries in the South, where collective bargaining was comparatively new in 1944 and wage rates averaged 23 percent less than those in northern cities of the same size. In contrast, in the printing trades which have been fairly well organized for many years in southern as well as northern cities, the North-South difference is only 10 percent. In areas or industries which are in the process of being unionized, the nonunion plants may pay higher wages than are paid in union jobs in an effort to forestall unionization. Many of the wage increases "voluntarily" granted by employers during the active union campaign in 1936–1937 were for the purpose of discouraging organization in their plants.

Another element affecting wage levels is the presence or absence of incentive methods of wage payment. As indicated in the next chapter, average hourly earnings (but not base rates) tend to be higher under incentive systems than under time-work methods of wage payment. Some unions, but by no means all, have opposed incentive systems, and the absence or smaller proportion of incentive wage plans in union shops would thus minimize the earnings differences between union and nonunion employees within the industry. Where unions have accepted incentive systems, earnings

are usually higher than in nonunion shops under similar systems of wage payments.

Government action may, and frequently does, result in lessening the differences between union and nonunion rates. The lowest rates that are automatically lifted by minimum wage legislation are predominantly nonunion rates. While such a lifting of the wage "floor" tends to advance all wages, some time may elapse before the unions are able to obtain advances sufficient to restore the differentials which existed prior to the minimum wage legislation. The wage stabilization program during World War II affected union wages in two ways: First, it established a fixed ceiling on rates beyond which unions could not bargain; and second, most of the wage increase awards of the Board were extended to all workers in the industry or area, nonunion as well as union. Thus, unions were not permitted to advance their wages beyond an established level and, at the same time, the lower nonunion rates were lifted to union levels.[7] As a result, nonunion employees benefited from the efforts of unions to improve the wages of their members.

The indirect influence of unionization in raising wages generally is not limited to abnormal situations such as existed under the War Stabilization Program. Although it is impossible to measure statistically the degree to which unions are responsible for general rises in wage levels, it is known that unions act as spearheads and that nonunion wages move along with union rates, although at lower levels.

The influence of union pressure was displayed dramatically during the winter of 1945–1946, immediately after the close of the war. While the war was in progress, many persons had expected that there would be drastic cuts in wage rates as soon as industry returned to competitive peacetime production, and members of the War Labor Board speculated whether or not they would be called upon to exercise their authority to disallow "decreases in wage rates"—an all but forgotten provision of the Wage Stabilization

[7] The effect of this wartime policy was similar to that of the wage policy which was adopted by several of the Canadian provinces before the war. The "Collective Labor Agreements Extension Act" of Quebec provides for the extension, to all employers and employees of an industry, of the wages and hours agreed upon under collective bargaining by the majority in that industry. The Ontario and Alberta "Industrial Standards Acts" have practically the same provision.

Act. Such hopes—or fears, depending upon one's outlook—quickly vanished before the onslaught of strikes for higher wages which took place following V-J Day. It is probable that there would have been practically no wage increases, and possibly many decreases if there had been no effective union organizations.

UNION WAGE POLICIES

The major purpose of labor unions is constantly and persistently to improve the wages of their members. In their pursuit of this never-finished task they follow no inflexible or standardized procedure. Union leaders, like employers, are pragmatists and will use any arguments or means which seem appropriate at the time of a wage negotiation—and each may adopt the arguments of the other at the wage negotiations a year later. During rising prices unions will base their claims for higher wages on increased cost of living and the ability of the employer to pay, while employers will argue that existing labor output does not warrant wage increases and that suggested increases will advance prices still further. During deflation employers will use the decline in living costs and profits as arguments for decreasing wages, while unions will argue for the necessity of increasing purchasing power and keeping wages in line with advancing technology and productivity.

To obtain a rise in wages on unskilled jobs, union leaders will claim that the existing spread of wages between unskilled and skilled jobs is not justified. If minimum levels are once raised they may then argue that wages on skilled jobs should be increased in order to restore previous differentials. Employers' attitude toward unskilled and skilled wage differentials is largely influenced by labor market conditions. If common labor is scarce, an employer may offer to pay untrained workers a rate which is almost as high as he is paying his experienced employees. If there is a plentiful supply of inexperienced labor and a scarcity of workers with desired skills, the differences in wages are likely to be extremely great.

Collective bargaining implies a policy of "give and take," a willingness to recognize the immediate circumstances at hand and to accept expedient compromises. A particular employer's condition, whether of weakness or strength, may require the union tempo-

rarily to deviate from some of its basic policies. Union wage strategy is further complicated by the fact that in a given case the issue may not be entirely a matter of an employer versus *all* of his employees; there may be differences between various membership groups or crafts. Although such differences usually are settled amicably within the union (or among the various unions where the craft situation exists) before the bargaining with the employer gets under way, some intra-union conflicts over wage policies have resulted in permanent schisms which have had significant effects upon the wage structure within an industry or plant.

Influence of Unions on Wage Structure

The determination of wage rates through collective bargaining does not remove the presence of the other factors described earlier in this chapter, although union policy and strength may tend to minimize the influence of some of these factors and magnify the emphasis given to others. No union, however strong, can ignore the financial condition of employers and their prospects for selling their goods or services in a competitive market; the very strength of the union is affected by the abundance or scarcity of workers in relation to employer needs; specific wage rates are never negotiated in a vacuum but within the framework of prevailing wages and conceptions regarding wage differentials pertaining to different kinds of jobs.

If union response to any wage situation is strongly influenced by the immediate circumstances surrounding each case, is it possible to say that organized labor has any wage policy other than that of getting wages increased or keeping them from being decreased wherever and whenever possible? The answer is yes; in spite of expedient compromises and hedging, organized labor has developed some guiding principles of wage policy and has been able to put them into effect in many wage determinations.

The present wage structure of American industry follows no orderly plan; the inconsistencies, if so they may be called, are a result more of the absence than the presence of effective collective bargaining. As unionization becomes more extensive throughout an industry, the wage structure tends to follow a more uniform pattern because wage determinations tend to cover larger units, and unions realize that wide differences in rates for comparable

work are a constant threat to the maintenance of the higher rates. Collective bargaining, in other words, tends to remove purely fortuitous factors as well as the divergencies caused by competitive pressures of numerous employers. In doing this, it is the purpose or desire of the unions not to eliminate competition between employers, but to have competition take place within the realm of efficient management, sales policies, and use of technological improvements, rather than in the wages of workers.

Principle of Uniform Wage Rates

A cardinal wage policy of most unions is "equal pay for equal work." While this appears to be an equitable basis for wage determination its application entails drastic alterations in existing wage structures. It also runs counter to some other important considerations, such as the competitive and financial conditions of the industry or individual employer concerned, differences in the cost of living, and "customary" wage differentials. The establishment of equal pay for equal work throughout American industry would eliminate regional differences, plant differences, differences between larger and smaller communities, and differences based on the race or sex of workers.

The ability of a union to reduce or eliminate differences in wage rates for comparable work is contingent, of course, upon whether or not it has effective collective bargaining throughout all sections of the industry or occupation in which it functions. The degree of wage standardization is also greatly affected by the bargaining procedures within the union, that is, whether bargaining is pursued on an industry-wide basis through the union's central office or by each local on a more or less independent basis. The members of a local union, for instance, may be willing to accept less than prevailing wages if there is a possibility that higher wages may force their employer to close business. The national union officers, on the other hand, may believe it is better that this marginal firm be liquidated rather than have it continue as a depressive influence on wages through the industry. As indicated in a later chapter, bargaining procedures vary widely among the different unions, although the tendency is toward more centralized, industry-wide bargaining.

A major issue between employers and unions in many industries

during recent years has been the differences in wage levels in different localities. The Rubber Workers have sought to reduce the spread between Akron wages and those in rubber plants located elsewhere; the Mine Workers have successfully narrowed the gap in wages between the southern and northern mines; the Railroad Brotherhoods have obtained standardization of many of the rates throughout the railroad industry; the automobile and steel workers' unions seek company-wide bargaining with uniform rates throughout all plants of each corporation.

The above-mentioned industries all serve national (and international) markets where there is least justification for wage differences so far as labor costs are concerned. In industries producing goods and services for local markets, intercity wage differences are likely to be accentuated, regardless of union desires and policies. Also, in these industries, local union autonomy is more prevalent than in the mass-production industries. Union rates in the building-construction and newspaper-printing industries and for city streetcar and bus drivers are 50 percent higher in the largest than in the smallest cities. Wages in union bakery shops in large cities average more than twice as much as in small cities. The service trades would probably show similar differences, but few of them are unionized in the smaller communities.

Skill Differentials

Unions as well as employers accept the logic and necessity of maintaining wage differentials between skilled and unskilled occupations. The newer industrial unions, a majority of whose membership are semiskilled and unskilled workers, are inclined to reduce some of the spread between the lowest and the highest rates, whereas the craft unions, whose membership consists mostly of skilled workers, are more concerned with maintaining traditional differentials. In some of the industrial unions, the highly skilled members have shown signs of discontent and are insisting that their unions give them more latitude in wage bargaining so that they can obtain what they consider justifiable differentials above the rates for less skilled jobs.

Wages Versus Job Security

In theory, unions hold that security of income is as important as the question of wage rates, and in a few instances they have

accepted reduced hourly rates, or at least not pressed for higher rates, when furnished with a guarantee of steady employment. This question has come to the fore on numerous occasions in the construction industry, as one government agency after another has sought to reduce the costs of home building. Plans have been suggested to stabilize employment and reduce hourly rates, or to have a graduated scale of rates in accordance with annual employment guarantees. The unions have viewed such plans with a great deal of skepticism, fearing that their wage standards would suffer a permanent setback and that the meritorious stabilization plans would be abandoned after a year or two of experiment.[8]

However, unions have upon occasion accepted wage reductions when faced with the alternative of the loss of jobs. In the long history of the shoe and glass industries, for example, the unions have several times accepted rate reductions for hand operations in order to discourage the introduction of new machines or to protect employers who were forced to compete with companies which had already installed machine methods. Such concessions, at best, have only postponed the inevitable layoffs; they have never resulted in permanent solutions for unemployment. For this reason the acceptance of general wage reductions is not endorsed as "good" trade union policy.

WAGE STRUCTURE CHARACTERISTICS

The existing wage structure throughout American industry includes a medley of rates which are the result of a commingling of all the factors and influences discussed above. No particular rate in any industry, plant, or area can be explained on the basis of any one factor alone, and seldom is it possible to evaluate the relative degrees of influence of the several factors. The best that can be done is to portray some of the outstanding characteristics of the general wage structure, and to suggest some of the considerations which may have had an effect in causing the various wage scales to be what they are.

[8] The above refers to annual guaranteed employment as an alternative to higher wage rates. A number of unions at the present time are actively seeking the adoption of annual wage plans, and, as indicated in chap. 7, several companies have established guaranteed employment or annual wage programs in their plants.

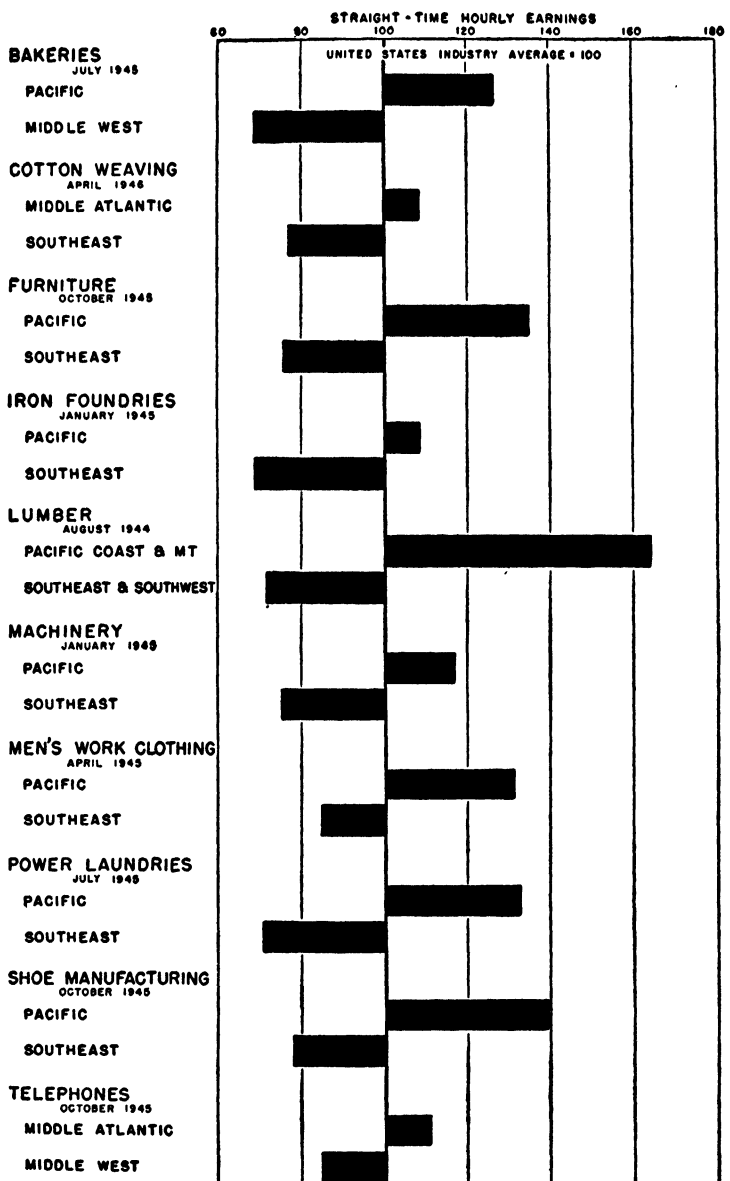

FIG. 22. *Highest and Lowest Regional Indexes of Average Hourly Earnings in Ten Selected Industries.* (*Source*: Monthly Labor Review, *October, 1946.*)

It must always be borne in mind that wages are in a constant state of flux; that a factor which may have become dominant in certain sections of an industry or area may not yet have been felt but soon may be evident throughout the entire industry or area. Wages may be comparatively low in one branch of an industry because it has not yet been affected by unionization, but this condition may change within a very short time. There may be wide differences in the wage structure of an industry even though all sections of it are under union agreements, simply because these differences existed prior to unionization and collective bargaining is of too recent origin in some sections to have become effective in bringing up the lower rates. Likewise, wage differences due primarily to shortages or abundance of the labor supply may disappear at any time as workers migrate in search of new job opportunities.

Because wages are a dynamic phenomenon, many of the facts and conclusions herein cited may not be true a decade hence. Nevertheless, some wage characteristics have existed for many years to a greater or lesser degree, and can therefore be said to represent "normal" tendencies. Although the degree of the relative differences may change, certain distinguishing features will probably continue indefinitely.

Regional Differences

A dominant characteristic of the American wage structure has been the existence of different levels of wages in the various regions and areas of the country. Workers performing similar tasks in the same industry producing goods for the national market receive different rates of pay from city to city and from region to region. In spite of some factors which tend to minimize area differences, such as industry-wide collective bargaining and fixing of certain rates by the federal government, job rates continue to be predominantly established in relation to prevailing rates in the immediate locality. These area differences, with some slight modifications, have persisted throughout the history of our country although they are not as great today as they were in the past.

Wages in general are highest on the Pacific coast and lowest in the South, and are higher in larger cities than in smaller towns and rural areas. Since there are many more large cities in the

North and on the Pacific coast than in the South,[9] any North-South comparisons must take this into account. In general, average industrial wages in the South are approximately 15 percent lower than in the same sized communities in the North, although the differences in some industries, particularly in agriculture and some of the local service trades, are considerably greater. Farm wages per day are less than half as much as day rates in the North. Wages of women in retail stores in medium-sized southern cities average less than 80 percent of the retail wages for women

TABLE 15. Median Regional Differences in Occupational Wage Rates in Manufacturing[10]

	Median Relation to Northeast (in percent)		
	South	Middle West	Far West
All occupations			
1907	86	100	130
1919	87	97	115
1931–1932	74	97	113
1945–1946	85	101	115
Men's occupations			
1907	88	100	131
1919	88	98	117
1931–1932	74	97	114
1945–1946	84	102	115
Men's skilled occupations			
1907	93	99	131
1919	95	98	[a]
1931–1932	83	96	[a]
1945–1946	91	101	113
Women's occupations			
1907	[a]	[a]	[a]
1919	81	92	[a]
1931–1932	73	[a]	[a]
1945–1946	87	98	114

[a] Insufficient information

[9] According to the 1940 census, the South had no cities with as much as one-half million population, whereas there were 14 cities in the North and on the Pacific coast which had populations of over one-half million, and 5 with populations of over one million. There were 13 cities in the North with populations between one-fourth and one-half million, compared to 8 in the South.

[10] *Monthly Labor Review*, April, 1948, p. 375.

in northern cities of the same size.[11] North-South differences prevail in unionized as well as unorganized trades. Average union rates in the journeymen building and printing trades in medium-sized cities are approximately 10 percent higher in the North than in the South, and those of unionized laborers and helpers are almost 50 percent higher. Average wages in organized ship repair yards on the Great Lakes in 1943 were 20 percent, and on the Pacific coast 30 percent higher, than those in the Gulf coast region which were also under union agreements.

Federal minimum-wage legislation brought about a greater reduction in North-South differences in the lower-paid than in the higher-paid occupations because nation-wide minima resulted in a proportionately greater lifting of rates which were below the legal minima (more prevalent in the South than in the North) than of rates which were above the minimum levels. In 1933, before the NRA codes went into effect, the average wages of cotton textile workers were 42 percent higher in the North than in the South, but ten years later the difference was reduced to 21 percent. This reduction was due primarily to the greater-than-average lifting of wages in the lowest-paid occupations in southern textile mills.[12] When the 30-cent minimum wage under the Fair Labor Standards Act went into effect in 1939, more than half the southern loggers were earning below this amount while almost no loggers in the northern areas were receiving less than 30 cents an hour. Similarly, the wages of about 23 percent of the employees in southern household furniture factories had to be raised but only 3 percent of those in the northern plants. In 1944 when the National War Labor Board permitted a 50-cent minimum hourly rate, almost 40 percent of the workers in the southern lumber industry were earning less than this amount, compared to 4 percent in the North and less than 1 percent in the West.

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[11] Except where otherwise noted, wage data in the remainder of this chapter are based on Bureau of Labor Statistics reports which have appeared in various issues of the *Monthly Labor Review* since January, 1941.

[12] For example, in 1933 the average wages of northern female spinners were 49 percent higher than in the southern mills, where spinners averaged 16 cents an hour, but in 1943 the difference was 21 percent. On the other hand, the North-South difference in the average wages of male loom fixers, the highest-paid occupation in the textile goods industry, was 43 percent in 1933 and had declined to only 31 percent ten years later.

Many reasons have been given for the existing wide differences in North-South wages. Absence of state labor legislation, lack of or recency of labor unionism, racial discrimination, lower labor efficiency, cheaper living costs, higher freight rates and greater distances from markets, poorer machinery and capital equipment, have all been cited as reasons and justifications. However, one authority states:

> Investigation reveals that the claims regarding a number of these factors are of doubtful validity. It is questionable, for example, whether living costs for the same standard of living are much lower in the South than in the North. Many products have uniform national prices; others increase in price with the distance from producing or marketing centers. Consequently, various cost of living studies have shown that, on a comparable basis, living costs in the South have averaged no more than 3 to 5 percent below such costs in the North and that it costs more to live in some Southern cities than in some Northern cities of comparable size.
>
> Capital equipment in the South is not generally poorer in quality or quantity. On the contrary, in many industries such as paper and pulp, textiles, furniture and rubber, the newest and best-equipped plants are in the South. As another indication of relative mechanization, census data show that the electric energy used per man-hour in Southern manufacturing has generally averaged well above the average for manufacturing in the Northeast.
>
> A number of studies have been made of the comparative effectiveness of factory labor in the North and South. Two detailed studies of three textile firms with plants in both regions indicated that Southern labor was fully as efficient as Northern labor. In response to a comprehensive questionnaire, 23 out of 41 interregional concerns reported the efficiency of factory labor in their Southern plants equal to or (in four instances) above that of labor in their Northern plants, yet a majority of those 23 concerns were paying wage rates in the South averaging from 10 to 25 percent lower than in the North.
>
> Also, eight out of twelve replies from industrial engineering firms doing consulting work in both regions stated that labor productivity in the South was as great as or greater than in the North under comparable conditions. Such data contain little support for the contention that regional wage differentials are largely due to sectional differences in labor productivity . . . There can be little doubt that the economic bases for a South-North wage differential in most Southern industries have been weakened during the past decade. The most important factor

explaining the continued existence of differentials in wage levels appears to be the high rate of population growth that causes a rapid expansion in the Southern labor supply.[13]

Intercity Differences

A consideration of wage differences in various cities can be approached in two ways: by comparing the average per capita wages of all employed residents, or by comparing the wages paid in the various cities for identical or closely similar jobs. The former is useful for comparing the economic well-being and purchasing power of the people in various cities, but it does not take into account the effect on wage levels resulting from the types of industries which happen to be located in the different cities. Per capita wages in a city may be relatively high, not because the rates are above the average paid for similar work elsewhere, but because "high-wage" industries are located in that city. Industry wage differences are discussed later; here we will deal with intercity differences in wages paid for comparable kinds of work.

Although wages for similar jobs tend to be higher in larger than in smaller cities, there is no consistent pattern of graduation according to size of city. In a particular city the wages paid by some industries may be high in comparison to those in the same kinds of plants located elsewhere, but the wages paid by other of that city's industries may be comparatively low. Other factors, such as the extent of unionization, the prosperity and efficiency of management, the productivity of labor, labor market conditions, traditional regional differences, and fortuitous circumstances, may have more influence than mere size of city. Moreover, the location as well as the size of the city is an important factor. Wages in a small community which is contiguous to a metropolitan center reflect the wage and living standards prevailing in that area and for that reason alone may be higher than the wages in a larger city located in a predominantly rural area.

Skill and Industry Differences

The wide differences in hourly rates among various kinds of occupations are due primarily to differences in skill requirements,

[13] Richard A. Lester, "Must Wages Differ North and South?" *Virginia Quarterly Review*, Winter, 1946, pp. 24 ff.

although the skill factor cannot be isolated entirely from other influences when analyzing a given wage structure. In a study (see Table 16) of typical spreads in hourly wages between manufacturing occupations of varying job requirements, it was found that skilled wages averaged 55 percent above the unskilled during the years 1945–1947. Among the skilled occupations the wages varied considerably; the middle half of all skilled occupation indexes ranged from 45 percent to 70 percent above the unskilled. However, in some industries and regions, for example, southern metalworking industries, the wages for highly skilled occupations were three times as high as those for the unskilled.

In the unskilled occupations, wages tended to vary according to whether the task was light and relatively pleasant, or heavy and arduous. Unskilled occupations which required heavier laboring tasks as well as the use of a variety of mechanical aids paid, on the average, 15 percent more than such occupations as watchmen and janitors. Among the semiskilled occupations, incentive methods of pay were a much greater factor than in the other two classes. Incentive hourly wages of individuals on semiskilled occupations were frequently as high or higher than those of skilled workers on a time basis. To a large extent, therefore, the pay levels of many of the semiskilled occupations partially overlapped both skilled and unskilled wages.

The wide differences in average wages among various industries are a reflection of the relative importance of all the factors which determine specific rates, that is, the occupational skills existing in the industry, the location of plants, the prosperity of the industry, the strength of unionization, and the other influences previously discussed. Space does not permit an analysis of the reasons for the relatively high or low wages in each industry, although such information is necessary for an understanding of the existing wage structure. For instance, the higher average wages in durable goods manufacturing are due to several factors, although all are by no means dominant in each industry. Durable goods last a long time and this fact tends to minimize the importance of wage costs in the sales price; workers in these industries are predominantly men; a majority of the plants are located in the northern sections of the country; mass-production techniques prevail more generally than in the nondurable goods industries, although there are important exceptions in both groups.

TABLE 16. Manufacturing Wages According to Skill, 1947[14]
(Average earnings for janitors and hand truckers = 100)

Types of Occupations	Occupational Indexes	
	Median	Range
Skilled Occupations comprising the trades or crafts that normally require an extensive learning period under formal apprenticeship or equivalent arrangements. Within the limits of each trade or craft the work requires planning of projects, determination of sequence of operations, and responsibility for accuracy of final results. It also requires knowledge of use of characteristic tools, machine and measuring instruments, as well as certain basic principles relating to materials and to standard computations.	155	145–170
Semiskilled, Group 1 Occupations that are limited in scope to part of a trade or to the operation of a specific machine or unit of equipment but with opportunity for independent judgment based on extensive experience. The work requires care of the machine, knowledge when the work is or is not in accord with specifications, and making the necessary adjustments to assure accuracy.	135	125–145
Semiskilled, Group 2 Occupations that involve highly repetitive operations, where the work sequence is wholly predetermined. The use of judgment is limited to recognition when the work is not in accord with acceptable standards. The learning process is generally short, and the major emphasis in learning is to aid the worker in producing an acceptable amount and quality of output.	115	110–125
Unskilled, Group 1 Occupations that involve handling of heavy objects or materials, such as in loading and unloading, in stacking, hoisting, or hauling. The work is arduous and is frequently performed under unpleasant conditions, because of exposure to weather, fumes, heat, or unclean surroundings. They require some knowledge in the use of simple tools or equipment, such as hooks, shovels, wheelbarrows, crowbars, and various lifting devices.	115	105–120
Unskilled, Group 2 Occupations that comprise janitorial, protective, and other light unskilled work such as maintaining grounds in trim, clean, and orderly appearance. Simple tools may be used, such as brooms, shovels, lawn mowers. The work is either inside or within easy reach of shelter.	100	95–105

[14] Data from 42 industries were used in the computation of the indexes. The range is the middle half of all indexes. The number of industries from which pertinent data were available for each of the groups of occupations varied somewhat. (Source: *Monthly Labor Review*, August, 1948, p. 128.)

Table 17 shows the average hourly earnings in some of the major manufacturing and nonmanufacturing industries in the winter of 1950. These are averages for all occupations and plants within the industries; the spread between the lowest- and highest-paid workers was much greater than shown in the table. Although the average hourly earnings in several manufacturing industries were relatively high, the average for all manufacturing workers was less than that for building construction workers, miners, and workers in some other nonmanufacturing industries.

TABLE 17. Average Hourly Earnings in Selected Industries, February, 1950[15]

All manufacturing	$1.42	Cotton, silk, synthetic fiber goods	$1.17
All durable goods manufacturing	1.48	Dyeing and finishing textiles	1.29
All nondurable goods manufacturing	1.35	Hosiery (full fashioned)	1.43
		Hosiery (seamless)	.95
Selected Durable Goods		Paper, pulp, paperboard mills	1.42
Agricultural machinery and tractors	1.59	Petroleum refining	1.89
Aircraft and parts	1.61	Printing (books)	1.63
Aluminum refining	1.50	Printing (newspapers)	2.11
Automobiles	1.71	Rubber tires and tubes	1.76
Blast furnaces, steel works, and rolling mills	1.65	Shoes (except rubber)	1.12
Bricks and hollow tile	1.17	Slaughtering and meat packing	1.41
Electrical generating, transmission, distribution apparatus	1.50	Suits and Coats (men's and boys')	1.35
		Suits, coats, skirts (women's)	1.97
Engines and turbines	1.63	Woolen and worsted goods	1.33
Furniture (household)	1.21		
Glass and glass products	1.48	*Selected Nonmanufacturing*	
Cutlery, hand tools, hardware	1.43	Building construction (contract)	1.96
Machine tools	1.53	Coal, bituminous	1.95
Radios, television sets	1.30	Coal, anthracite	1.95
Sawmills and planing mills	1.29	Crude petroleum producing	1.70
Shipbuilding and repairing	1.65	Gas and electric utilities	1.58
Tin cans and other tinware	1.41	Laundries	.84
		Railroads, Class I	1.55
Selected Nondurable Goods		Bus and railway (local)	1.47
Bakery products	1.27	Trade, wholesale	1.45
Cigars	.95	Trade, retail except eating and drinking places	1.15
Cigarettes	1.26		

It will be interesting for the student to try to account for the differences in the average wages among the industries, and between branches of the same industry, as revealed in Table 17. Why is the

[15] Bureau of Labor Statistics, U. S. Department of Labor.

average wage for the manufacture of women's suits and coats 40 percent higher than for men's suits and coats? What factors influence the difference in wages in cigarette and cigar manufacturing? Why is the average wage for the printing of newspapers 33 percent higher than that for printing of books? Unionization prevails in all branches of these industries so that relative union strength is not an important factor. In contrast, collective bargaining is much more prevalent in wholesale than in retail trade, although this factor alone does not account for the great difference in average wages.

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[16] The student is also referred to current publications of the U. S. Bureau of Labor Statistics, the National Industrial Conference Board, and the American Economic Association.

CHAPTER 13

"SCIENTIFIC" WAGE DETERMINATION

A NEW INFLUENCE IN THE DETERMINING OF WAGE RATES AROSE toward the close of the 19th century when engineers began to interest employers in what came to be known as scientific management. Although this new movement was concerned with all phases of internal shop management,[1] the question of wages in relation to production was one of its earliest and major interests. The problem as viewed by the industrial engineers hinged on two basic questions, namely, what is the best method of doing a job, and how can workers be induced to achieve maximum performance?

Their answer to the first was to make an accurate time study of each individual job with the aid of a stop watch, for the purpose of determining the one best way of performing each motion made by the operator, as well as the best physical conditions, machines, tools, and working arrangements. The answer to the second question was the fixing of definite time standards on the basis of stopwatch time and motion studies, and the payment of premiums, or

[1] Frederick W. Taylor, referred to as the father of scientific management, is best known for his time and motion study and incentive wage system, but his primary interest was broader and covered the whole field of shop management. The essentials of many of his ideas have been widely adopted, although in different forms from his original suggestions. Taylor was a proponent of functionalized management. Because of the "difficulty in obtaining in one man the variety and special information and the different mental and moral qualities necessary to perform all the duties demanded," he divided the job of foreman as it existed in his day into eight functions. Three were transferred to the office —the preparation of written job instructions, the routing of jobs, and cost and time keeping. In the factory was the teacher of special skills, the inspector to look after quality, the gang boss to direct the work, the speed boss, the repair boss to see that machinery was in order, and the "disciplinarian" to serve as employment supervisor and handle cases of discipline. (*The Principles of Scientific Management,* Harper & Brothers, New York, 1911, pp. 124 ff.)

extra wages, for performance above the specified task or standard. Thus was laid the foundation for the many types of premium wage systems which have been devised during the past fifty years, the more important of which are described in later pages.

JOB EVALUATION

Premium wage systems in themselves do not establish wage levels or occupational wage rates, for as a base they accept the going rates and upon these superimpose the formula for premium payments. It was a number of years after premium pay systems were initiated before industrial engineers turned their attention to "scientific" methods for establishing base rates for various jobs. This came to be known as job evaluation, which, essentially, is the process of determining job relationships according to skill and other requirements, and fixing wage differentials.

Job evaluation is a distinctly different phase of wage determination from the establishment of job standards and incentive rates through time and motion study, although both depend upon the application of scientific or engineering techniques. The one deals with the qualitative characteristics of jobs; the other, with the quantitative measure of the output. While both processes are used in many plants, they are not inseparable. Many companies have adopted methods of job evaluation without changing their pay systems; other companies have installed time and motion study and premium wage systems without using systematic methods for determining differences in the base rates for various jobs.

Most important to bear in mind is that neither job evaluation nor premium pay systems have as their purpose the establishing of general wage levels. They are means for determining compensation for particular occupations and for a specified output, and are not inherently concerned with whether general wages are "high" or "low." So far as the application of these processes is concerned, it makes no difference whether the minimum rate in a plant is 75 cents or $1.00 an hour, or whether the maximum rate for the most skilled job is $1.50 or $2.50 per hour. Whichever the rate, in the job evaluation and time and motion study processes it serves as a bench mark for determining the base rates of all intervening jobs upon which premium rates are established.

Methods of Job Evaluation

Job evaluation is the process of establishing wage differentials for the various jobs in a plant by determining their relative importance and requirements and the measure of their differences.

Distinctions in job values have always been recognized by employers, workers, and unions, as is attested by the fact that some jobs have consistently paid higher rates than others. The most common general classifications have been skilled, semiskilled, and unskilled, although there is seldom agreement among those immediately concerned (i.e., employers and workers) when it becomes necessary to classify particular jobs on the basis of these categories.

Craft unions are inclined to ignore the semiskilled classification altogether and to rate all jobs as either journeyman or laborer grade. However, a journeyman classification connotes all-round proficiency, usually on jobs requiring the use of hand tools, and additional classifications are implicit under most apprenticeship systems which provide graduated scales up to journeyman status.

The multiplicity of jobs[2] ensuing from the division of labor inherent in machine and factory production calls for more precise methods of determining the relative values of jobs because their distinguishing characteristics are more obscure. Also the mere fact of there being hundreds of different jobs within a plant means that no one person can be familiar with the exact nature of all of them, and therefore inconsistencies[3] arise when reliance is placed upon the casual judgment and separate decisions of numerous persons. The primary purpose of job evaluation is to achieve consistency in the rate structure within a plant. To accomplish this, the pooled judgment of many individuals is used, and a systematic comparison of job attributes is substituted for the individual arbitrary decisions of numerous persons.

Several more or less distinct methods are currently in use for

[2] Here we are referring to "jobs" as distinguished from "positions." A "position" is the aggregation of duties required of one individual, whereas a "job" includes all the identical positions within the plant; there may be one person or many persons performing a particular job.

[3] During the wage stabilization program the War Labor Board found so many inconsistencies in plant wage structures that it was compelled to adopt special policies to correct what it termed wage "inequities."

analyzing and evaluating jobs, some of them being more precise than others. All of them necessarily involve some degree of judgment and therefore cannot be considered infallible. The validity of their results depends upon the individuals whose judgment is used in each determination, as well as the accuracy with which each job is analyzed before the evaluation is made.

One simple method, which is feasible only in smaller plants, is to use the pooled judgment of all the plant supervisors (together with that of the union stewards in organized shops) who, after comparing all the jobs on the basis of oral or written job descriptions, list them in order of importance and then rank them into grades between the minimum and maximum wage rates already determined or agreed upon. A variant of this method is to predetermine and define a few key job grades and then assign all the other jobs to the grade which seems most appropriate. In both procedures, jobs are considered in their entirety rather than upon the basis of their various requirements or attributes, the evaluation being dependent upon narrative job descriptions, oral or written.

Much more accurate evaluations are possible when, instead of relying upon general job descriptions, which are likely to be superficial, the jobs are broken down into well-defined basic factors or characteristics such as mental and physical requirements, skill, responsibility, and experience. The evaluation can then be based either on point values which have been assigned to each factor, or on a comparison of the factors of the jobs to be evaluated with the ratings given to factors of key jobs already evaluated. Since both the point system and the comparison method are widely used in wage determination throughout industry today, it is worth while to discuss them in greater detail.

Point System of Job Evaluation

Under the point system anywhere from half a dozen to a dozen or more basic requirements are established as factors which are more or less common to all the jobs in the plant. Values or points are then assigned each factor. For some factors, e.g., "experience," the point values can be measures of specific requirements in terms of months or years, such as 2 points for jobs requiring six months' experience to attain proficiency, 3 points for those requiring a

year's experience, and so forth. For other more intangible factors, e.g., "skill," the point values must be defined in relative or suggestive terms, such as 1 point for jobs requiring little or no skill, 2 points for jobs in which simple tools are used and some accuracy is required, 3 points for jobs requiring a moderate need for precision or where machines must be given rather close attention.

After the point values have been defined for all the factors which are to be used in all the jobs, each job is then carefully analyzed and broken down into its several factor requirements and the proper point values are assigned according to their degree of importance. When these points are totaled, the job is evaluated; that is, its relationship to all the other jobs has been determined by analyzing its component characteristics and rating them according to established definitions.

In large plants where there are hundreds or even thousands of different kinds of jobs, the process of evaluation and rating is simplified if jobs of a somewhat similar nature are grouped into job grades or job "families" and each grade given a range of rates. Some employers and unions prefer a large number of job grades with step-up wage differentials amounting to as little as one cent. In most plants, the existing hundreds of different occupations are classified into as few as a dozen or twenty grades, with 3- or 5-cent rate intervals.

Although the ultimate objective of job evaluation is the determination of wage rates, the money value or price given the job is not an inherent part of the evaluation process. After the wage rates for a few representative jobs have been established they are used as yardsticks, and the determination of the rates for all the other jobs becomes automatic, since it is based on these point values.

To illustrate the point system process, let us assume that the job of machine lasting in a shoe factory is to be evaluated according to a comparatively simple point system. According to the procedure used (see the accompanying chart), eight factors have been selected, with a scale of 8 degrees for each factor. (In some systems, the major factors are subdivided, each subdivision being scored. Also some systems have a different percentage distribution of points for the various factors; e.g., skill may be given a maximum total of points several times higher than that for physical

ILLUSTRATION OF POINT SYSTEM OF JOB EVALUATION

Job—Shoe Lasting Machine Operator

Factors	0	2	4	6	8	Numerical Rating
Education—Formal preparation to perform job.	Elementary school	2 years high school or vocational school	Graduate high school or vocational school	High school plus 2 years vocational school	Graduate college or technical school	2
Skill—Quality requirements. Extent job requires skill with hands, manipulation of machines, or handling materials; extent of precision, judgment, and accuracy required.	Little need or opportunity for care or precision	Use of simple tools; some need for exactness	Automatic machine tending; moderate need for attention to quality	Quality important; intricate machines or hand tools	Great deal of accuracy required; precision tools; work from blueprints	5
Experience—Measured in terms of experience on other jobs which are necessary for promotion to this job, as well as time required for mastery of this job.	Few days	At least 6 months	At least 12 months	At least 2 years	Minimum of 4 years	7
Versatility—Number of major skills or operations required for handling job.	No major skills	1 major skill	1 major and 1 minor skill	Several different skills	Numerous different skills	2
Responsibility—In terms of costs to company to replace materials, machinery, or other equipment which might be damaged. Loss to company if poor product reaches customer.	Possibility of little loss to company	Might involve slight losses	Moderate costs to company possible	Possibility of significant losses	Possibility of serious losses	4
Resourcefulness—Extent to which ingenuity and initiative are required because of nonroutine character of work or likelihood of unexpected problems arising.	None or very little	Fairly routine or follow directions	Occasional independent thinking required	Great deal of independent thinking	New problems constantly arising	3
Physical Requirements and Environment—Mental and physical fatigue involved; strength and endurance required; safety and health hazards involved in occupation or work place.	Light work, no hazards, pleasant surroundings	Standing jobs, some nervous fatigue	Moderately strenuous; slight hazards	Strenuous; fair working conditions; some hazards	Heavy work, unpleasant working conditions; hazards	5
Supervision—Number of persons for whose work, training, and conduct is directly responsible.	None	Under 6	6–12	12–25	25–50	0 — 28

requirements.) In the present illustration, the highest possible value, 64 points, could be given only to a job involving supervision of at least 25 subordinates, and requiring a person who has had a full college or technical school education and at least four years' practical experience. In addition, the job must be especially unpleasant or hazardous and require numerous skills with precision tools which, if not used properly, would entail heavy losses to the company.

There are no jobs in a shoe factory which involve the maximum degree for all 8 factors, although adequate performance on several jobs requires the maximum 8 points for one or several of the factors. In other words, in the example used in this illustration, no job would have a point value as high as 64.

In the present hypothetical shoe plant the rates of two jobs are used as yardsticks. The minimum rate for the least skilled job classification is 75 cents an hour and has been given a value of 5 points; one of the most highly skilled jobs, hand cutting, has a base rate of $1.35 per hour and has been evaluated at 35 points. Each point, therefore, has a 2-cent value (the difference between the minimum and maximum wage rates, 60 cents, divided by the difference between 5 and 35 points). The job under review, shoe lasting machine operator, is analyzed factor by factor, with a resulting total value of 28 points, which is 23 points above the minimum. The job rate for a shoe lasting machine operator therefore is $1.21 per hour, which is 23 times 2 cents plus the base rate of 75 cents.

Factor Comparison Method

Sometimes the process of evaluation is reversed by using money values instead of point values for each factor. According to this method, a selected number of key jobs whose wage rates have already been agreed upon are chosen as bench marks. These key jobs, which range from the bottom to the top of the plant's wage scale, are ranked under each of the factors in order of their relative importance; that is, under "Skill" the key job requiring the greatest skill is listed first, and under "Physical" the most strenuous job or the one requiring the greatest endurance is listed first. The established wage rate for each of these jobs is then divided

among the factors in accordance with their estimated importance. For example, a key job paying $1.00 may be assigned 40 cents for skill, 30 cents for experience, 20 cents for responsibility, and 10 cents for physical requirements. After money values have been assigned to all the factors of all the key jobs, there results a series of scales to be used for evaluating all the other jobs in the plant. In other words, instead of descriptive definitions of factors as in the point method, there are series of money values in terms of key jobs against which other jobs can be compared and their factor values cross-totaled to obtain job rates.

TIME AND MOTION STUDY

Regardless of whether or not it has been "scientifically" determined, any wage rate represents a composite payment for the *kind* of work performed and the *amount* of work produced. Job evaluation, as indicated above, is a systematic method of classifying jobs and establishing rate differentials according to the *kind* of work done. It is not concerned with quantitative measures of performance. Entirely different means are used in the scientific determination of wages on the basis of the amount of work accomplished.

Purpose of Time and Motion Study

An individual's output per unit of time depends, first, upon the conditions and methods of work performance and, second, upon his ability and will to produce. For the first, the industrial engineer offers time and motion study to ascertain production standards, and for the second, some form of wage incentive to induce workers to meet or exceed established standards. In principle, the established standard represents the performance which an *average* operator can achieve with *average* effort and at a pace that can be maintained *indefinitely*.

The primary purpose of time and motion study is to discover what *is* being accomplished and what *can* be accomplished on any particular job. Since many of the conditions affecting performance lie within management's control, the initial function of time and motion study is to establish the conditions of work that will facilitate optimum output. These include such matters as the con-

dition of tools, machinery, or other equipment, physical surroundings such as lighting and ventilation, the routing of work to the operator, and the like.

When satisfactory conditions surrounding the job have been established, the next step is to analyze the job performance itself. This is done either by means of stop-watch readings or through motion picture or micromotion analysis.

Stop-Watch Method

For stop-watch studies[4] a minute-decimal stop watch is used for timing, and an observation sheet is used for recording. A worker of average competence is selected, or several persons on the same job are observed, in order to get the average performance. In lieu of recognized "average" performance, the time study analyst may rate the skill and effort of the operator under observation in terms of the percentage of what the analyst considers to be average, and make whatever allowances are necessary when totaling the time. This is commonly called "leveling."

In the more careful time study, recordings are taken for each movement or element of each operation, rather than the overall time for the entire operation. An element represents the smallest unit of effort or motion which can be recognized and accurately timed, and all the elements involved in the completion of one unit of work represent a work cycle. Since many elements are the same in various operations, the values of these "constant" elements, when once determined, can be used repeatedly. For example, in jobs which require the handling of similar tools or materials, the picking up of the tool or the placing of the material might be constant elements, while the motions involved in the use of the tools or materials would comprise variable elements, each depending upon the nature of the several jobs.

Different methods are used for reading the stop watch and recording the time on the observation sheet. Sometimes the watch is permitted to run throughout the observation, that is, through several work cycles, with watch readings being taken at the end of each element; subtraction of the successive readings gives the time for each element. Sometimes the watch is snapped back to zero at

[4] First used by F. W. Taylor in a steel plant in 1881.

DATE _____ **TIME STUDY OBSERVATION SHEET** DRAWING NO. _____

PART NAME _____ PATTERN NO. _____

OPERATION (_____) ITEM NO. _____ MATL. _____

(Coolant, Type Cutter, etc.) ORDER NO. _____

SPECIAL EQUIPMENT _____ OPERATOR _____

OPER. NO. _____ MACHINE _____ TOOL NO. _____ CLOCK NO. _____ DEPT. _____

No.	ELEMENTS	Ft./Rev. Per Min.	Feed Ins. Per Min./Rev.	1 Reading	1 Time	2 Reading	2 Time	3 Reading	3 Time	4 Reading	4 Time	5 Reading	5 Time	Time
	TOTALS													

PIECES FIN. BEFORE STUDY	INSPECTED BY	INSPECT.	NET CYCLE TIME EACH	MIN.
FINISH TIME A.M. P.M.	CHECKED BY	FM.	EFFORT & SKILL %	MIN.
START TIME A.M. P.M.	OBSERVER		LEVELED NET	MIN.
OVERALL TIME	APPROVED BY		PERSONAL NORMAL %	
NO. OF PIECES TIMED			SPECIAL %	
OVERALL TIME PER PIECE	TOTAL ALLOWED TIME EACH	MIN.	MACHINE CARE %	
TYPE OF WATCH USED	DECIMAL HOURS	HRS.	TOOL CARE %	
SET-UP	INCENTIVE RATE $		%	MIN.
SHEET OF SHEETS	P. W. PRICE OR STD. TIME		ALLOWED TIME EACH	MIN.

the end of each element observed or, more commonly, at the end of each cycle. In the latter case, of course, the successive readings must also be subtracted to obtain the time for each element. Regardless of the stop-watch procedure, a half-dozen or more readings are usually made, and either the most representative as

determined by the analyst is selected, or the average of all the readings is used as the final time allowance for each element.

To the total of all the element times are added specified allowances for personal needs, fatigue, care of tools and machines, and any regular unavoidable delays or interruptions which are accepted as an intrinsic part of the operation. The allowance for personal needs is usually 4 or 5 percent of the total time, which is equivalent to 20 minutes in an 8-hour day. Allowance for fatigue varies, of course, according to the nature of the job, and the same is true for the care of machines and tools and any other recognized allowances.

The sum of the net cycle time, less any leveling and plus all specified allowances, represents the "standard" time per work cycle or operation. "Standard" is expressed in decimal hours which can be readily translated into either a time or piece unit of measurement for wage-setting purposes. Although "standard" is supposed to represent average or normal performance, it is usually less than the time which was taken previously to perform the operation. In other words, time and motion study almost always results in time saving or, to express it another way, in greater production per hour or day.[5]

Micromotion

Motion pictures are sometimes utilized in place of or supplementary to stop-watch studies. Micromotion study,[6] as it is called, involves the use of a motion-picture camera and a timing device which indicates the time intervals on the motion-picture film. The

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[5] In a study of 70 plants it was found that "standards" established on the basis of time and motion studies were 17 percent in excess of previous production. (J. M. Nickerson, Director of the Management Consultant Division, WPB, before the American Society of Mechanical Engineers, December 1, 1943.)

[6] Frank C. and Lillian M. Gilbreth were the pioneers in the use of motion pictures. On the basis of such studies they determined that there were 18 elementary subdivisions or elements (which they called "therbligs") to a cycle of motions which they believed were common to all kinds of manual work. A well-known example of one of their early studies was bricklaying; they reduced the movements for laying a brick from 18 to 5 motions. In addition to micromotion, they developed what they called the chronocyclegraph technique which measures the time, speed, acceleration, and retardation, and shows the direction and path of motion in three dimensions.

advantage of micromotion is that the sequence of movements and the use of the body organs (eyes, head, arms, feet) can be observed, and unnecessary, awkward, and fatiguing practices can be easily detected (see Fig. 23). Since the motions are recorded on a film, the best methods can be "captured" for use in training and retraining of operators. Once the best methods have been established

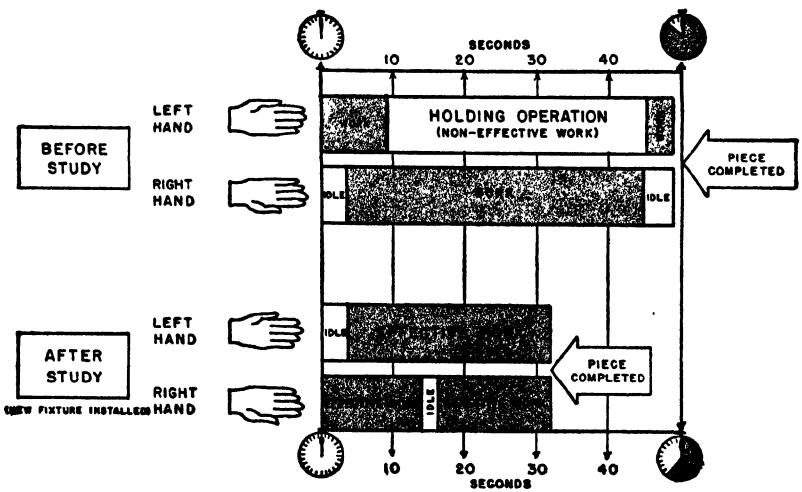

FIG. 23. *Example of Method Improvement. (Source: Albert Ramond and Associates, Inc.)*

and the motion-picture time recordings have been taken, the process of tabulating standard time for the job cycle is similar to that used with the stop-watch procedure.

TIME-WORK METHOD OF WAGE PAYMENT

The establishment of standards through time and motion study or by other means does not necessarily imply any change in methods of wage payment. Wages may continue to be a fixed sum per hour or day, with no direct or automatic adjustment of daily or weekly wages to output.

Presumably, however, an employee will not be retained if he constantly fails to meet accepted standards of output; likewise, an

employee whose output is regularly above the average may receive a "merit" rate which is higher than the base rate for the job. Some plants have merit rating systems and measured production, with graduated pay according to each individual's average output. Such an arrangement approximates a wage incentive plan, although day-to-day earnings do not fluctuate automatically with daily output.

The chief advantage of the time-work method of wage payment to both employers and employees is its simplicity. It requires the least amount of bookkeeping, and the workers know exactly what their earnings are at the close of each day. Where other wage plans have supplanted payment on a time-work basis, the motive of the employer has been to provide greater inducements for increasing production. Where other types of wage payment systems have been accepted by workers, it has been because they considered that such plans offered greater possibilities for increasing their earnings.

A wage system based on the time worked is the only practical form of payment for certain kinds of jobs or under certain job conditions; for example, where unusual skills and individuality are required, or where danger of spoilage outweighs any consideration of volume of output, or where the processes or materials used are constantly undergoing change. When the exact reverse of such conditions exists, payment on an hourly basis is likewise most feasible. For example, on so-called "mechanically paced" jobs, that is, on chain assembly and automatic machine-tending jobs where the machines themselves determine output, there is no need or opportunity for reward on the basis of individual output. Incentive systems of wage payment are practical only when output can be increased by the employees' *own* effort and output can be *accurately* measured.

INCENTIVE WAGE SYSTEMS

Basically, incentive methods of wage payment are of two general types: those in which payments are directly adjusted to units of output, and those in which payments are based on a combination of time and output units according to an established formula. The first is usually referred to as straight piecework; the second,

as a premium or bonus system. (Sometimes "incentive" is used to refer only to premium systems, although of course straight piecework is also a form of incentive wages.)

Straight Piecework

Under a straight piecework system a constant rate is paid per unit of output, with no specified minimum or guaranteed rates and no maximum limitations. Actually, minimum earnings must meet the legal requirements,[7] and any difference between piecework earnings and the legal minimum rate must be made up by the employer.

Payment by the piece is the oldest form of incentive wages, but it is now being replaced by other kinds of incentive systems in many plants. It has existed for many years in the clothing, shoe, hosiery, and cigar industries, as well as in rolling mills and coal mining where payment is on a tonnage basis. The methods of determining individual piece rates do not necessarily differ from those used in other forms of wage incentive systems. However, since many piecework systems antecede scientific management techniques, piece rates are less frequently determined on the basis of job analysis.

In lieu of time and motion study, each individual piece rate either is the result of employer-union bargaining or, in unorganized plants, is determined by the employer or foreman. In both situations the rates for new jobs tend to be determined on the basis of past production on similar jobs, with estimates for any new factors involved. Much of the odium which workers attach to piecework has been due to the employers' practice of cutting rates even though there has been no change in the content of the job.

Under any piecework system the rates established per unit of output include allowances for fatigue, short absences from the job for personal reasons, oiling of machines, and any other incidental duties regularly involved in the performance of the day's job. Piece rates, however, do not make provision for unusual interruptions caused by machine breakdown, delays in the flow of work, etc., and practice varies with respect to payment for such lost time. In some plants the employee is reimbursed the equivalent of his average piece-rate earnings over a fixed period of time, for

[7] See chap. 15.

example, the last pay period; in others each employee or individual job has a base rate, usually somewhat under the average earnings, which is the amount of reimbursement for "dead time."

The basis of reimbursement for time lost on the job through no fault of the operator frequently becomes a matter of contention under any piecework system. In many plants the individual foremen exercise a good deal of discretion and there is therefore no uniform practice even within the same plant. Under collective bargaining, unions seek to have the policy standardized, the amount of discretion allowed foremen being kept to a minimum in each individual case.

Payment of a fixed rate per piece (or per unit of weight such as a ton) is the simplest form of wage incentive plan. It is relatively easy for the workers to understand; hence they can know what their daily earnings are. Unlike some other wage incentive systems, the rate per piece remains constant and earnings are in direct proportion to the number of units of output. For the employer the piece-rate system, like any other wage incentive plan, tends to reduce unit labor costs, in addition to providing an accurate measure for estimating these costs. It also provides an automatic stimulant for shop efficiency; for since pieceworkers naturally object to working conditions which hinder their maximum earning ability, they will insist that machines be kept in good condition and that there be the least possible amount of interruption in the flow of work.

Some workers favor piecework because of the relative amount of independence and freedom from close supervision such a wage system affords. So long as the quality of his work is satisfactory, a pieceworker is free from close scrutiny by his foreman and he has more latitude in his work habits than an employee who is paid, or guaranteed, a fixed wage per hour or day.

Under piecework where the total wages paid are automatically related to the total volume produced (except for legal minima), there is not the same urgency for an employer to keep to a minimum the number of persons on the job as there is under time work. For the workers, this has advantages as well as disadvantages. An employer may be prone to hire an excess number of workmen during temporary booms, which causes a reduction in the earnings possibilities of the older workers. On the other hand, during slack

seasons there are likely to be fewer layoffs. In unionized plants there are generally rules to prevent excess hiring, as well as regulations pertaining to work sharing and layoff, so that work will not be spread to the point where no one is able to earn reasonable wages.

Premium Systems

There are scores of different kinds of premium or bonus systems[8] now in use and many others which have been used for a time and then discarded. The variety of types, however, is not as great as the numerous titles applied to them would seem to indicate, for many which appear to be dissimilar actually incorporate only minor variations but have been given new names, frequently the name of the engineering firm who sponsors or sells the system.[9]

No matter what name they go by, all premium systems have one distinct characteristic, namely, a guaranteed rate with premium payments for production beyond an established standard. The standard may be in terms of units of output or units of time, that is, minutes or hours. So far as the incentive feature is concerned, there is no difference in principle whether the premiums are figured on the number of pieces produced above standard or on the number of minutes or hours saved.[10] A practical advantage of the time unit as contrasted with the piece unit is that there is no necessity for changing hundreds of individual piece rates whenever general wage levels are changed.

The essential distinctions in the various incentive systems have to do with (1) the point or level of production at which premiums begin, and (2) the formula used for determining premium rates.

[8] Since the term "bonus" is more commonly used to refer to occasional payments such as Christmas bonuses and service bonuses, the term "premium" will hereafter be used in connection with incentive wage plans.

[9] One engineer who analyzed 28 different incentive systems concluded that many of the differences were unimportant and that few of the more recent, complex plans have essential or original modifications of the simpler types. (See C. W. Lytle, *Wage Incentive Plans*, The Ronald Press Company, New York, 1942.)

[10] For example, if the standard is 75 pieces an hour and the rate is 1 cent per piece, a worker who produces 100 pieces in an hour would earn a premium of 33⅓ percent, or an hourly wage of $1. If, on the other hand, the standard is one hour for 75 pieces and a worker completed 75 pieces in 45 minutes, he would be rated as 133⅓ percent efficient (60 minutes ÷ 45 minutes) and therefore be paid $1.00 for an hour's work.

In all premium systems the crucial factor is where the "task" or "standard" is set. The policy adopted can tend toward either of two directions, namely, a strict standard which is difficult to accomplish, with high premiums for better than standard, or a lenient standard with relatively small premiums. If a very strict standard is set which can be exceeded only through the best efforts

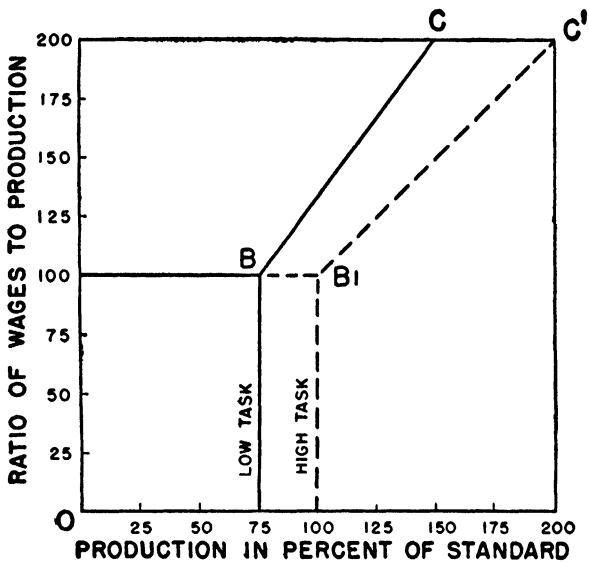

FIG. 24. *Earning Curves for High and Low Task Standards.*

of the most competent workers, the guaranteed rate tends to become the actual earnings rate for most of the workers. If, on the other hand, a relatively easy standard is fixed, the major portion of the total earnings of most employees on the job will consist of premium wages.

The difference in potential earning capacity under a low and high task[11] is graphically illustrated in Fig. 24, where BC represents the wage curve based on a relatively low standard, and B^1C^1 the curve based on a high standard. In this figure premiums

[11] Time study analysts commonly refer to standards which they deem too low as being "loose," and workers call standards "tight" which they think are too high.

are assumed to be 100 percent; that is, workers receive a guaranteed base rate up to the established standard, and the equivalent of straight piece rates for output above standard.

The second fundamental distinction in incentive plans has to do with the formula for the division of gains when above-standard production is attained, regardless of whether or not the established standard is high or low. In straight piecework, of course, the worker's earnings increase in direct ratio to output; that is, the premiums amount to 100 percent of the piece rates regardless of output. Under some incentive plans, probably a minority of those currently in existence, the premium rate is either less or more than 100 percent as output increases above standard.

Increasing the ratio of returns to the worker is obviously done for the purpose of encouraging ever higher production. Plans providing for a decreasing ratio of returns, or a declining wage curve, are based upon the principle that increased output not only is a result of the workers' efforts but is also due to improvement in working conditions for which management is responsible, and that management therefore should "share" in the gains. Also, the declining premium rates are supposed to serve as a deterrent to rate cutting by the employer, since his unit labor costs decrease as production increases.

Incentive plans which provide for graduated premium rates are referred to as "multiple piece-rate" plans; those providing for decreasing rates are called "gain-sharing systems," although workers are more likely to refer to them as "take-away" plans. The fundamental differences in the various premium systems can best be explained by brief descriptions of a few of the more important systems which illustrate general principles. Most of the incentive plans in actual use today, regardless of their names, are variations and modifications of one or more of these systems.

Differential or Multiple Piece-Rate Systems. The original incentive wage system, excluding the straight piecework already discussed, was that used by F. W. Taylor and called the "Differential Rate System." Essentially it was a modification of the straight piece-rate plan, with the important difference that it established two distinct sets of piece rates for each job—a lower piece rate when less than the established day's task was completed, and a higher rate per piece when the total output equaled or exceeded the

established task. For example, if the task was 100 pieces per day, the rate per piece might be 3 cents for below task performance and 4 cents per piece for performance at or above task. Thus, to use an extreme case, a worker would earn $2.97 a day when he produced 99 pieces, and $4 a day when he produced 100 pieces, or approximately a 35 percent increase in earnings for 1 percent more output.

The Taylor plan was frankly punitive, the lower rates being "fixed at a figure which will allow the workman to earn scarcely an ordinary day's pay when he falls from his maximum pace, so as to give him every inducement to work hard and well."[12] In extenuation of this harsh wage system it can be said that under the Taylor plan for efficient management, improved working conditions facilitated better production, and increased output was not achieved solely at the expense of greater physical effort on the part of the workers. Many employers, however, adopted the Taylor wage system without also putting into effect the Taylor plans for improved management.

Modifications of the original Taylor system lessen the abrupt change in the earnings curve by substituting two or more step-ups in piece rates. The multiple premium rate plan formulated by D. V. Merrick provides for the payment of three different piece rates on the same job—a relatively low rate for performance below 83 percent of the established task, an additional 10 percent premium when output is between 83 and 100 percent of task, and a 20 percent premium when output is at or above task.

Gain-Sharing Plans. The Halsey[13] Gain-Sharing Plan was the first incentive system to provide a guaranteed rate plus a premium for extra output. As originally conceived, existing time rates continued to be paid for "normal" production based on average past performance, with a premium, usually 50 percent but sometimes less, for any time saved by the worker. In its initial form, the Halsey plan was directed solely toward reward for extra effort, the workers continuing to receive the same day rates for working

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[12] Frederick W. Taylor, "A Piece Rate System," *American Society of Mechanical Engineers Journal*, June, 1895.

[13] Sometimes referred to as the Towne-Halsey plan, since the engineer Frederick A. Halsey got his idea from the profit-sharing system which Henry R. Towne had introduced (1886) in the Yale-Towne Mfg. Co.

at their customary pace. Later, however, when time and motion studies were substituted for average past performance as a measure of "normal," the standard time allowance tended to be lowered, with the result that better than past performance was necessary before any premiums were earned. Consequently, the 50 percent premium actually represented a reduction in wages in relation to

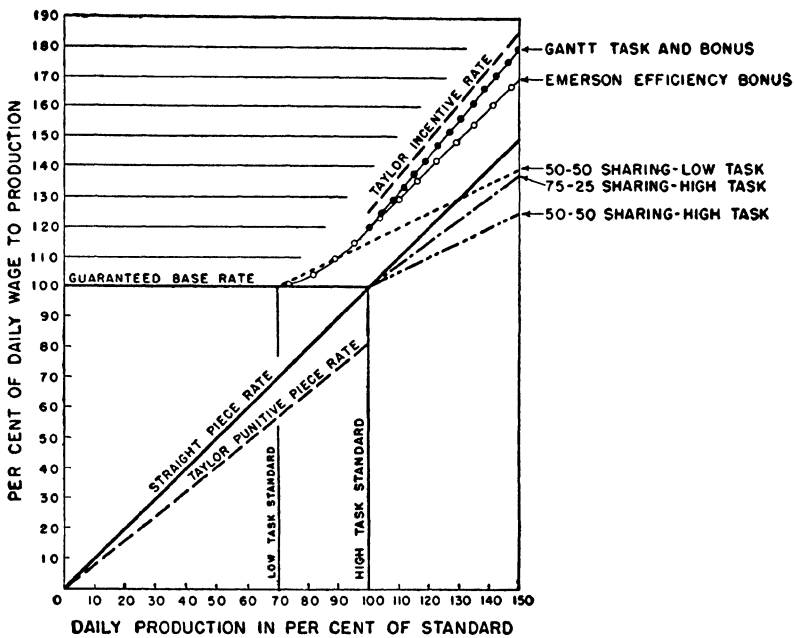

FIG. 25. *Earning Curves Under Various Incentive Plans.*

output. In other words, the employer shared 50 percent of the gains resulting from an output above the standard which *he* established.

The significant difference in earnings with any gain-sharing plan based on high task performance in contrast to straight piecework is illustrated in Fig. 25.

Task and Bonus Plans. The Gantt[14] task and bonus plan com-

[14] Henry L. Gantt, an associate of F. W. Taylor, introduced his system at the Bethlehem Steel Works in 1901 as a temporary measure until conditions made feasible the use of the Taylor system. The Gantt arrangement soon superseded the Taylor wage plan.

bines the characteristics of both the Taylor and the Halsey systems. Like the latter it provides a guaranteed minimum wage for below the "task," instead of the Taylor punitive low piece rate. Above the "task" the worker receives not merely the equivalent of full piece rates instead of a portion as under the Halsey plan, but also an additional premium which essentially is comparable to the high piece rate under the Taylor plan. As an offset to the high premium rate, however, the task or standard is established considerably above normal efficiency and is not attainable except by unusual efforts.

The unique feature of the Emerson efficiency bonus system is its provision for premium rates to begin at approximately 70 percent of standard, with graduated rates thereafter reaching to 120 percent at standard, after which the rate remains constant. Although the standard is "high task" as under the Gantt system, there is some premium award before 100 percent efficiency is reached; after the standard is reached, however, the premiums are not as high.[15]

Point Premium Plans. The original and best-known point premium plan, introduced in 1916 by Charles E. Bedaux,[16] was at first a gain-sharing system, the workers receiving 75 percent of the premium for time saved and the supervisors and indirect labor receiving the other 25 percent. Later versions of the Bedaux system provide 100 percent premiums to the workers and in this respect are similar to straight piecework with guaranteed hourly base rates.

The unique feature of the Bedaux system is the unit of measurement which is used to figure premium earnings. Under the Bedaux plan, all work is reduced to terms of a common denominator, that is, a minute of time called a "B," with total work performance the

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[15] First put into operation by Harrington Emerson on the Santa Fe Railroad in 1904.

[16] Workers and unions who disliked all incentive systems were especially antagonistic toward Mr. Bedaux, who became their symbol for speed-up and unjust pay plans. After making a fortune in this country with his industrial engineering system, Mr. Bedaux, who had immigrated to the United States when a young man, moved back to France. After World War II broke out, the Department of Justice reported that Bedaux had close associations with Nazi officials. He was brought back to this country to face a grand jury investigation but committed suicide before the trial started.

sum of the B's produced within a given time. A "B" minute is composed of the relative proportion of work and rest as indicated by the requirements of the whole job. For example, time and motion study may indicate that a job takes 15 minutes of straight labor but, to be continued throughout the day, requires 5 minutes' rest, or a ratio of 3 to 1. The "B" for this job would be a minute of 45 seconds' work and 15 seconds' rest. Other jobs have other ratios, but all are measured in terms of B's; 60 B's equal the standard and premiums are based on B's above the standard.

Another well-known point method is the Haynes system. In it the standard man-minute is called a Manit, and is supposed to represent four-fifths of the amount of work that a normal person can do. Workers are paid according to the Manits produced; if 75 Manits are produced in an hour, for example, the earnings are 25 percent above the hour base rate. As originally conceived, the Haynes system was a gain-sharing plan (50 percent to workers, 10 percent to supervisors, 40 percent to the company), but it was later modified so that the full savings were paid to the workers.

Group Incentive Plans. In the foregoing descriptions it has been assumed that the output of each worker was measurable so that premiums could be computed on each individual's production. Under many conditions of production, however, it is impossible to separate the work performed by several persons in order to determine each one's contribution. Where work is closely integrated and inseparable, the joint product of a crew of workers, sometimes referred to as a "gang," is treated as a unit and the premiums are distributed to the group in proportion to their several base rates. As an illustration, if there were three members in a group whose base rates (varying according to their relative skills, etc.) were 75 cents, 90 cents, and $1 per hour and the day's group bonus amounted to $4, they would receive premiums of $1.13, $1.36, and $1.51 respectively.

PREVALENCE OF INCENTIVE SYSTEMS AND THEIR EFFECT ON WAGES

No one knows exactly how many American wage earners are now being paid on an incentive basis, but it is probable that more than a third of those on production processes—as distinct from

maintenance, custodial, time-keeping, and the like—are employed under some form of incentive system.

There is considerable variation in the extent to which incentive plans have been adopted in the different industries. They are almost completely absent in the construction and printing industries, although some paperhangers and lathers as well as printers[17] are on a piecework basis. Incentive systems exist in a number of shipyards and aircraft plants in the eastern section of the country, but they are almost nonexistent on the west coast. Following unionization of the automobile industry in 1935–1937, time work was substituted for piecework in many plants; however, a number of plants retained or have recently established incentive systems. Payment on a tonnage basis was common in coal mining when pick and shovel methods were used but is becoming less prevalent as mines are mechanized. Various kinds of premium systems are in effect throughout large sections of the electrical equipment, rubber, steel, and glass industries. Piecework prevails in the textile and clothing industries, including shoe, glove, and hat manufacturing, and is fairly common in the meat-packing, paper, leather, and machinery industries.

Reduction in manufacturing costs is of course the primary reason why employers install incentive systems. The reduction is both direct and indirect. Greater output per wage dollar is a direct saving; more effective use of machinery and equipment is an indirect economy. Furthermore, some employers claim that incentive workers need less supervision, although others have found it necessary to increase supervision and inspection to safeguard quality. Offsetting some of the savings in direct labor and machinery outlay are the overhead costs of administering incentive systems, for they are always higher than a time-work pay system.

The only reason workers have been willing to accept incentive pay plans is the possibility they offer for increasing earnings. Although there are no over-all statistics to show comparative earnings of incentive versus time workers, numerous studies of particular industries and plants reveal significant differences.

[17] As a result of a concerted drive by the International Typographical Union, piecework has been practically abolished among its members during the past few years.

One study of three industries[18] showed that average earnings of incentive workers ranged from 12 to 18 percent higher than the hourly earnings of time workers in the same occupation. In more than two-thirds of the occupations in machinery manufacturing plants located in various sections of the country, the average hourly wages of incentive workers were from 10 to 30 percent higher than the wages of time workers, and there were about the same differences for most of the occupations in cotton goods manufacturing and nonferrous metal fabrication. According to studies made in 1946, the largest differences in earnings were in the apparel industries where incentive workers earned from 20 to 40 percent more than time workers.[19]

WORKERS' ATTITUDE TOWARD INCENTIVE SYSTEMS

As indicated earlier, the scientific determination of wage rates is concerned solely with procedures for establishing relative values of jobs and earnings in relation to output. The area within which wages can be "scientifically" determined lies within the boundaries of minimum and maximum standards already established. Since scientific wage systems are not concerned with general wage levels, they are not substitutes for, or necessarily inimical to, collective bargaining or other means for establishing general wage standards. Nonetheless, workers are concerned with scientific procedures because they vitally and directly affect the amount of wages they receive as well as the conditions under which they work.

Acceptance of Job Evaluation

In general, workers and their unions have accepted the principle of job evaluation by systematic methods. Differences of opinion arise, of course, over the particular methods used and the ratings given particular jobs. In organized plants, the unions naturally insist that the workers concerned have a voice in the evaluation

[18] "Effect of Incentive Payments on Hourly Earnings," *Monthly Labor Review*, May, 1943.

[19] "Incentive Pay in American Industry, 1945–1946," *Monthly Labor Review*, November, 1947.

process and that dissatisfactions arising over job evaluations be dealt with through the union's grievance adjustment machinery.

In small shops where there are only a few skilled occupations, especially when they are under the jurisdiction of different craft unions, the various crafts may prefer to bargain separately for each job rate.[20] Under such circumstances the bargaining strength of the union undoubtedly influences the final determination. Systematic job evaluation is most frequently utilized in large plants where old-time craft distinctions are no longer dominant and where there are a multiplicity of different kinds of jobs.

Opposition to Incentive Systems

Other phases of scientific wage determination, namely, time and motion study and incentive plans, have not gained the same acceptance by workers as has job evaluation. Few management policies have aroused as much controversy between employers and workers as have time and motion study and incentive forms of wage payment. Workers have vigorously and often successfully opposed the introduction of stop-watch and incentive plans;[21] where such plans have been installed over the workers' opposition there have been numerous disputes over their day-to-day administration.

The fact that incentive wages have been used successfully as rallying cries to get unorganized workers to join unions[22] is one

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[20] For example, in the building trades the rates for bricklayers are generally higher than the carpenters' rates, although the latter are usually required to read blueprints and assume other responsibilities in addition to their hand skills.

[21] The first major success was in 1914, when organized labor conducted a vigorous campaign against the adoption of incentive systems on government projects. During the years 1914–1946 riders were attached to the Army and Navy Appropriation Acts specifying that no part of the appropriation "shall be available for the salary or pay of any officer, manager, superintendent, foreman or other person or persons having charge of the work of any employee of the U. S. Government while making or causing to be made with a stop watch or other time-measuring device a time study of any job of any such employee between the starting and completion thereof, or, of the movements of any such employee while engaged upon such work; nor shall any part of the appropriations made in this act be available to pay any premiums or bonus or cash reward to any employee in addition to his regular wages, except for suggestions resulting in improvements or economy in the operation of any Government plant; . . ." This rider has been omitted in recent appropriation acts.

[22] Long-pent-up grievances over incentive wages and speed-up in the Detroit

evidence that union opposition, where it exists, is not a creation of the unions themselves but rather a reflection of individual workers' attitudes. Unorganized as well as organized workers have "pegged" their production, refused to work with "pace setters," and tried other means of thwarting or controlling incentive systems. When workers are unorganized, however, their expressions of opposition must necessarily be more subtle and be made by tacit arrangement in small groups, as contrasted to the more vigorous and overt expressions and actions of union members and their spokesmen.

Some of the objections which workers have to time study and premium systems relate to the essential nature of any and all incentive plans; others have to do with particular kinds of systems and practices which are not necessarily inherent in the principle of incentive wages *per se*. Much of the disrepute of incentive systems is due to the practice—more common in past years than now—of cutting rates and forcing workers to speed up to make their expected earnings. Serious objections are made against the complexities and mysteries of many of the systems and the consequent inability of workers to know how their pay is figured.[23]

An understandable reluctance to accept time and motion study and wage incentives is the fear of losing one's job because of increased productivity. Employers and industrial engineers may argue that the resulting reduced costs of production will in the long run make for greater prosperity and more jobs, but workers

automobile industry was a major factor in the successful unionization campaigns of 1936–1937.

In a rival union campaign at the Aluminum Corporation of America plant at Lafayette, Indiana, in 1943, the C.I.O. Aluminum Workers favored incentives, while the A.F.L. Federal Labor Union opposed them. The A.F.L. union won, largely because of such sentiments expressed as the following: "The bonus system is a notorious design of the slave-driving piecework plan that the A.F.L. has fought against for years . . . Under incentives, when the machine is being repaired WHAM goes your bonus. When there is a shortage of material WHAM goes your bonus. . . . We don't want this kind of . . . company policy . . . We want to know exactly how much we are making an hour." (War Labor Board Report.)

[23] Any unbiased person who has attempted to study the intricacies of the systems which some industrial engineers espouse will heartily sympathize with the workers' feelings in this respect. For example, one plan proposed this formula for premium payments: guaranteed day rate up to 62½ percent of task; 50–50 sharing from 62½ to 100 percent of task; 10 percent of base-rate bonus at task; above task 66⅔ to 33⅓ constant sharing. Let any worker, even though he be a college graduate, try to figure his pay on such a formula!

are necessarily concerned with their own immediate situation, and their concern seems justified to them when they hear employers boast that they were able to effect "substantial" layoffs after installing wage incentive plans.[24] Some of this fear is removed or at least mitigated by carefully planned transfers or by payment of dismissal wages.

Underlying all the hesitancy and objection to time study and incentive wages are the workers' instinctive aversion to and uneasiness over a purely "scientific" approach to their jobs which seems to ignore them as human beings and to treat them as abstract labor going through numerous cycles of motions.[25] This feeling is alleviated to some extent when the time-study analyst adopts a human approach and when the workers concerned are allowed to have a voice in the process. The same pertains to the machine-paced job even though the premium wage is absent. The

[24] Examples like the following can be found in any management journal: "Labor costs reduced 75 percent." "Reduced force from 94 to 19." "Earnings of survivors have increased." "In slack times there is no temptation to make the job last." "In every group there are 2 or 3 men who keep the foremen informed about other workers." "Identity of interest has greatly simplified the problem of discipline."

[25] The following is illustrative of the numerous formal expressions of union opposition to incentive systems: "We are against all attempts to revive and impose on American workers the 'incentive' payment plan in any shape, manner or form. More than ever are we convinced that these 'bonus' trick systems are injurious to the best interests of labor. They are spurious panaceas aggravating rather than alleviating grievances and infections in our economic relations . . . By adopting the incentive payment plan, American Labor will be driving its own people out of jobs. The great benefits of unionization will be discarded and destroyed. The speed at which men are asked to work properly falls within the sphere of collective bargaining . . . Very often the lure of higher earnings is hollow. Incentive payments encourage a reckless speeding up of the workers . . . All too often we have found that after production per worker has been increased through the speed-up, the employers have cut the rate per piece of work turned out. Here is a vicious circle. Either the worker must suffer a loss of earnings, or he must speed up still more . . . To our profit-hungry efficiency engineers, the model worker is one who freely expends all of his surplus energy during the working hours and who utilizes his nonworking hours only for recuperation and preparation for another day's work . . . The advocates of these bonus schemes are trying hard to pit worker against worker and thus destroy collective bargaining as an instrument for assuring a just wage for the American working people . . . The 'incentive' system is a springboard for further efforts at lengthening hours, speeding up production, and putting over devious wage-reduction schemes. The time to defeat these plans is now . . . Union labor must hit back and hit back hard now." (*The Carpenter*, August, 1943.)

psychological factor involved in such jobs is that the worker is deprived of the control of his environment. He becomes a part of the machine and must keep the same speed at all times with the result that he attempts to maintain his lowest common denominator of speed. This could be alleviated somewhat if industrial engineers gave recognition to the human as well as the mechanical elements involved in the work situation; if engineers were also trained in psychology they would find some means for satisfying the human need for flexibility. For example, experiments which gave the worker an opportunity to press a button and change the speed of the conveyor at different times of the day resulted in higher daily production than when it was fixed by "scientific" determination at a uniform speed.

Acceptance of Incentive Plans

Although many workers and unions are strongly opposed to all forms of incentive wages, piecework and other kinds of incentive plans have been customary in some industries for many years, with no serious efforts made toward their elimination either before or after the plants were unionized. Incentive wages prevail in some of the most strongly organized industries, e.g., clothing,[26] coal mining, steel, and more recently the electrical equipment industry. In a number of other industries a larger proportion of the unionized than the nonunion plants have incentive systems.[27]

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[26] Piecework in the clothing, shoe, and cigar trades has its roots in the early "domestic" system of production, where work was contracted out to persons who worked at home. In such circumstances, piece rates assume the form of prices more than wages. Vestiges of this remain in small construction where jobs are let to a skilled worker who does all the work himself. Here the contract price is equivalent to wages since there is no profit element. Because of the possibility of these contract prices undercutting regular hour scales, building-trades unions normally do not allow their members to accept such contract jobs.

[27] Wage studies by the Bureau of Labor Statistics indicate that the existence of incentive systems is related more to the size of plant than to the presence or absence of unions, incentive wages being more prevalent in large plants. In Sweden, where trade unions have been firmly established for many years, piecework systems are prevalent throughout industry and even extend into the building trades, where group bonus systems exist. (Paul H. Norgren, *The Swedish Collective Bargaining System,* Harvard University Press, 1941.)

In Great Britain, where unions are also firmly established, there has been a great expansion in incentive payments. The British Amalgamated Engineering Unions, which for a hundred years had opposed piecework, changed this policy as a means of increasing war production. In 1943 about 75 percent of the

Although some unions are unalterably opposed to all incentive systems,[28] most unions adapt their tactics to the current situation in a particular plant; if incentive wages are already in existence they accept them in principle but seek to obtain specific modifications. In some instances where unions have succeeded in abolishing incentives, they have later reversed their position and coöperated with the employers in getting them reëstablished. The change in attitude may have resulted from competitive necessity and fear of the loss of jobs if the employer was forced out of business, or it may have been in response to the members' realization that earnings were less under time work than under the incentive system.

There are economic factors inherent in certain industries which seem to make piecework or other incentive plans the logical form of wage payment. Unions in these industries are aware of the problems and have made little effort to eliminate such plans. For example, piecework in general has been acceptable to unions in the apparel trades because of the importance of manual skill and control which results in wide variations in individual worker productivity. Thus, there are always sizable groups of faster workers who may feel that a change to time work would cause a decrease in their earnings. In addition, the apparel industries are subject to wide seasonal fluctuations in production and employment. Unions in these industries practice rigid work sharing during slack seasons. The piecework method makes work sharing possible, since employers are assured a fixed labor cost regardless of the amount of work to be done. These unions realize that without this fixed labor cost per unit of output, very few employers would consent

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direct production workers in the engineering industries were covered by incentive systems of wage payment. ("Payment by Results in British Engineering," *International Labor Review*, June, 1944.)

[28] The constitutions of a number of unions absolutely forbid contracts embodying incentive methods of wage payment, and some cite acceptance or encouragement of incentive plans as grounds for expulsion from the union. Some unions, e.g., the C.I.O. Automobile Workers, allow the continuance of plans already in existence but disallow further extension into plants now paying on a time basis. The C.I.O. Steelworkers and Electrical Workers unions are examples of large unions in mass production industries which have accepted the principle of incentive wages but have taken definite steps toward obtaining "proper controls and safeguards." The latter has prepared a booklet entitled *UE Guide to Wage Incentive Plans, Time Study and Job Evaluation* for their members' use.

to the rigid work sharing which both workers and unions feel to be desirable in these industries. Also, these unions have adopted a policy of stabilizing labor costs among competing employers. Piecework facilitates stabilization, because unit labor costs can be determined in advance and do not depend on the relative efficiency of the individual workers or establishments.

The president of the C.I.O. has tacitly endorsed time and motion study and incentive wage plans under certain specified conditions in which there is maximum collaboration between labor and management: "Properly made and utilized they [time studies] are the most accurate and the fairest of all methods of fixing standards for wages and for production control . . . The fact that time study can be, and often is, badly used is no argument against the method itself. The stop watch, in fact, is one of the most effective tools for union-management coöperation, because it establishes facts that cannot be gainsaid."[29]

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CHAPTER 14

WAGE SUPPLEMENTS

WAGES EARNED WHILE ON THE JOB REPRESENT MOST, AND FREquently all, of the income which workers have at their disposal to meet their daily costs of living and occasional vacations, as well as sickness and other disabilities. An increasing number of workers receive benefits of various kinds from government social security programs. These are discussed in Part Four. This chapter is devoted to the payments and contributions by their employers which are not direct payments for work performed on the job, although indirectly they represent rewards for service rendered.

These extra payments and benefits can be considered as supplements to regular wages. To the employer they are additions to his labor costs, and to the recipients they are tantamount to wages since they provide extra cash or benefits which otherwise would have to be paid for out of wages. Some of the major types of extra remuneration or benefits received by wage earners from their employers are pay for vacations and holidays not worked, disability and old age benefits other than those provided by law, and bonuses other than those paid as a reward for extra output or time spent on the job.

In some instances these supplementary payments and benefits amount to as much as 5 or 10 percent of the total wages. However, relatively few employees benefit from all the supplementary wage programs; a majority receive vacation pay, for example, but only a handful receive profit-sharing bonuses. One week vacation and six holidays with pay, which is now quite general, is equivalent to about 5 percent of total wages for the year.

PROFIT SHARING

Profit sharing, depending upon the hopes and fears of the spokesman, has been variously described as a form of incentive wages, a kind of employer welfare program, a symbol of industrial

democracy, and a beginning step toward coöperative production and distribution. The last-mentioned were dominant when the profit-sharing movement first started during the middle of the 19th century in France and England, and later in this country, when profit sharing was esteemed as a movement of social reform. The Christian Socialists of England and France advocated profit sharing as a countermovement to Marxian socialism, which was based upon the principle of class struggle and the final dictatorship of the proletariat. It was hailed by zealous reformers as a means for alleviating the harshness of a growing capitalistic economy, and as a panacea for eliminating employer-employee conflicts. Through the sharing of profits there would be a co-partnership of employers and employed, and the latter, with a stake in the ownership, would psychologically be transformed from wage earner to capitalist.

In this country the movement was largely fostered by employers, although the social reform aspect was not entirely absent. During the 1890's there was a periodical called the *Employer and Employed*, issued by an association for the promotion of profit sharing, whose banner was "Industrial divisions should be perpendicular, not horizontal. The workman's interest should be bound up with those of his employer." The belief of those who sponsored this movement was that employer-employee harmony should be substituted for conflict, and that this would be brought about if each company's income was shared by all who contributed to production.

Meaning of Profit Sharing

Profit sharing has been defined as "an agreement (formal or informal) freely entered into by which employees receive a share, fixed in advance, of the profits."[1] Another authority describes profit sharing as "payments in the form of cash, stock, options, warrants or otherwise, given under a predetermined and continuing policy by the management of a company to all or any group of its officers or employees in addition to their established wages or

[1] Definition formulated by the International Congress on Profit Sharing held in Paris in 1889.

salaries."[2] These definitions exclude such extra wage payments as Christmas, attendance, and other similar bonuses, sales commissions and production premiums, and insurance and pension plan payments. Some persons, however, include all such extra payments under the term of profit sharing.[3]

Profit sharing has attracted a great deal of popular interest, especially during up-trends in business prosperity. From time to time there have been organized movements to promote the voluntary adoption of profit sharing, and these have sometimes been accompanied by definite proposals for incentive taxation to encourage its wider adoption. The fact that profit sharing has received much more attention than actual experience with it would seem to warrant indicates that many persons entertain a belief (or hope) that there is merit in the principle of profit sharing and that its large-scale adoption would benefit the general economy.

The underlying principle of profit sharing is based on the belief that the present wage system is too rigid to enable employees to secure their proper share of their company's income and that profit sharing, by promoting mutuality of interest on the part of the management and workers, will tend to increase the company's income and at the same time assure its fair distribution. Actual experiences with the operation of profit-sharing plans, limited as they are, afford some indication of their results on worker morale and productivity; this will be discussed later. So far as their effect on wages and the general distribution of income is concerned, it is impossible to draw any conclusions from the meager number of plans which have been established. Therefore, this discussion will have to be largely theoretical and based on the assumption that profit sharing is generally established throughout most of industry.

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[2] Bryce M. Stewart and Walter J. Couper, *Profit Sharing and Stock Ownership for Wage Earners and Executives,* Industrial Relations Counselors, Inc., New York, 1946, p. 1.

[3] An instance of this is a report of the Senate Committee on Finance in 1939, which includes descriptions of every conceivable type of employer welfare program, from company restaurants to sick benefit plans, and calls them all profit sharing. The purpose of this report obviously was to commend employers for their good works at a time when employers were suffering from loss of prestige because of the great depression of the early 1930's.

Theories Pertaining to Profit Sharing

Fundamentally, the sharing of profits by labor is anomalous to all conventional theories of private capitalistic enterprise which hold that profits are a reward (or price) for risk capital. According to traditional economic theories, profit sharing contradicts two basic conceptions of capitalistic production: (1) Control is not in proportion to risk in that workers share in the risks without having control over most of the risks they have to incur. (2) To the extent that profits are devoted to labor, the return to capital does not represent its "natural" reward.

Those who advocate profit sharing maintain that it serves to bolster rather than weaken capitalistic enterprise because (1) the mutuality of interest between management and worker which it engenders tends to increase the company's income and automatically assures its fair distribution; and (2) the supplementary payments afforded by profit sharing bear a definite relation to company income and obviate the necessity, when business is prosperous, of saddling the enterprise with a permanent charge of increased wages.

Profit Sharing and the Distribution of Income

In spite of its appeal as a means of a fairer distribution of income, profit sharing does not automatically resolve the problem of wages. The question remains as to *how much* of the company's profits shall be shared. Whatever the amount, it is a matter of arbitrary determination and does not represent a "scientific" evaluation of labor's versus capital's contribution to the productive process. Some existing plans specify as much as 25 percent of the net profits of the company, but most provide only 10 or 15 percent. The small amounts allotted to each individual worker under these plans is frequently cited as a major reason for their failure to gain the desired interest and coöperation of workers.

Just how much "reward" capital should or must receive in a competitive economy is a matter of conjecture. Let us assume that it is feasible for capital to receive a considerably smaller proportion of business income than it now does, and that stockholders are willing to share one-half their dividends with wage earners.

In 1939 this would have meant the distribution of 860 million dollars among 7 million workers employed by incorporated manufacturing establishments. Each worker, on the average, would have received $123, or the equivalent of slightly less than an 11 percent increase in his annual income.[4]

If the fifty-fifty sharing of dividends had taken place in 1945, approximately 1128 million dollars would have been distributed to 10.5 million wage earners employed in incorporated manufacturing establishments. Each worker, on the average, would have received $107, which would have been equivalent to a 4.8 percent increase in his average annual income.

These assumptions, of course, are merely suggestive and cannot take into account all the possible interacting influences. For example, if dividend payments to stockholders were reduced because of sharing with labor, corporations might lay aside less for corporate savings in order to enhance stockholder dividends. In 1945, about half the total profits (after taxes) of manufacturing corporations were retained as savings. If 70 percent had been distributed as dividends under fifty-fifty profit-sharing arrangements, stockholders would have received more and the per capita worker payment would have been $151 instead of $107. On the other hand, with the shrinkage in the investment potential of the higher-income groups as a result of the sharing of dividends, corporations might lay aside a greater proportion of their profits than they now do so that adequate capital will be assured for expansion and upkeep.

Another factor to be considered is the influence of profit sharing on prices and the total income to be distributed. If productivity is increased under profit sharing, as its advocates believe, there will be more to distribute to both stockholders and labor. However, the benefits of improved productivity *could* be passed on to consumers by lower prices. It is entirely possible that a wide adoption

[4] These illustrations are necessarily confined to incorporated manufacturing establishments because no employment and wage data are available for workers employed by all kinds of corporations, and it is impossible to segregate profits from other income for nonincorporated businesses. The above profit data are from *Survey of Current Business,* April, 1946. Employment and wage data are from 1939 census and 1945 Bureau of Labor Statistics reports. It is estimated that about 90 percent of all manufacturing employees are employed in incorporated establishments.

of profit sharing, while providing flexibility of labor income, might have the opposite effect upon the price structure; workers might be inclined to join with their employers to maintain prices at fixed levels while profits were advancing.

Effect of Profit Sharing on the Wage Structure

If profit sharing were adopted generally throughout industry, it would result in two fundamental changes in the wage structure: (1) Levels of workers' incomes would be determined on a vertical basis, that is, according to each individual company's ability to pay, rather than on a broad horizontal basis as at present, with roughly similar rate structures throughout an industry or area. (2) Employees' earnings would fluctuate directly and immediately with the changing financial condition of the company.

The repercussions of such changes would be far reaching and would be reflected in labor turnover and the character of the labor force in different plants, the longevity of marginal firms, the general level of wages, and perhaps the magnitude of the business cycle curve.

Prosperous firms which regularly distributed generous profit-sharing payments would be able to obtain and keep the best workers. Most companies, however, have their ups and downs and many workers would be inclined to move from one plant to another with the fluctuations in profit-sharing payments. Marginal firms which had little or no profits to share at frequent periods would experience the greatest turnover, and this in itself would accentuate their tenuous position because of the higher labor costs resulting from labor turnover. New companies, even though they paid the going rates of wages, would be at a disadvantage in attracting the best workers unless their prospects for profits were unusually favorable.

Most advocates of profit sharing maintain that firms which have profit-sharing plans should pay the prevailing wage rates, and that profit-sharing payments are therefore additions to what workers would otherwise receive. This may be true at the present time when only a very few companies maintain such programs. If profit sharing became the general practice, however, it would have a tendency to retard advancements in wage levels. Advances in

wage levels are made by first obtaining increases during prosperous years from firms most able to pay higher rates; these higher rates gradually spread until they become the prevailing rates for the industry or area. If profit sharing were in effect, the workers best able to pioneer new rate levels might not press for higher rates during prosperous years, with the result that no new wage plateaus would be established. Since profit sharing in itself offers no protection for the maintenance of existing rates during depression years, the secular trend in wage levels might actually be downward.

Employer Motives

By definition, profit sharing is a voluntary arrangement, and employers who have established profit-sharing plans have been guided by very practical as well as humanitarian motives. These may be summarized as follows:

1. To encourage employee efficiency and stimulate production. With a stake in the returns, employees will be more willing to exert themselves, prevent waste, and thus reduce labor costs.

2. To secure more flexibility in the pay roll. By sharing profits instead of increasing wages during prosperous times, management will not be saddled with high wage rates when depression comes; moreover, profit sharing can be discontinued more easily than wage rates can be reduced.

3. To avoid excess profits taxes. By distributing to employees excess profits that otherwise would be largely absorbed in taxes, management is able to cultivate employee good will at little or no cost. That this is an important motive is evidenced by the increase in the number of profit-sharing plans introduced during both world war periods when excess profits taxes were extremely high.

4. To reduce labor turnover and increase labor stability. Employees will hesitate to quit when there are prospects of receiving semiannual or annual "dividends." Also the program will engender a feeling of belonging which will encourage stability and continued service with the company.

5. To encourage employee savings and provide employee security. A number of profit-sharing plans are tied in with savings and retirement plans.

6. To discourage unionism or at least minimize its militancy. If employees share in the profits of business, a spirit of coöperation with management will be developed which will discourage them from turning to "outside" organizations for assistance.

Union and Employee Attitudes

Although a few local unions have endorsed specific profit-sharing plans of their employers, the labor movement in this country has always viewed such plans with disfavor. Unions maintain that profit sharing is offered as a sop to workers in lieu of "good" wages and as a means of discouraging justifiable demands for wage increases. Recognizing the last-mentioned employer motive, the unions naturally think of profit sharing as a menace to worker organization and as being purposely designed to thwart their own growth and effectiveness. They maintain that, far from providing employees with a better substitute for unions, profit sharing tends to keep wages down while at the same time it encourages speed-up. Instead of promoting "democracy" in industry, the unions point out that the conditions of participation and distribution are determined solely by management and that most profit-sharing plans favor a select few instead of benefiting all the employees in the plant.

Profit sharing has never aroused the interest of the rank and file employees; they are more concerned with an assured steady income. "By its intrinsic nature, profit sharing does not commend itself to wage earners. . . . The first want of the worker is for a steady income assessed on the business as an operating cost with payment insured by a first lien on the assets. He will accept any handout from profits as so much 'gravy,' but he will not be content to depend upon such a fluctuating factor as profits for any substantial part of his regular income. Profit sharing may appeal to the gambling instinct of some wage earners, but there is no considerable body of evidence that it has any more effect in inciting them to greater effort than would a lottery ticket. . . . Unsolicited subsidiary benefits granted to employees are not valued as highly as equivalent cash benefits appearing in the pay envelope."[5]

[5] Stewart and Couper, *Profit Sharing and Stock Ownership for Wage Earners and Executives*, pp. 43–44.

Prevalence and Characteristics of Existing Plans

Although there has been a great deal of talk and much literature concerning the merits and possibilities of profit-sharing plans, an inconsiderable number have been established, and a large proportion of those adopted have been discontinued after a few years' experience. Profit sharing has over a century's history, and during that time no more than 1000 or 1200 plans have been established in both Europe and the United States. A survey in 1945 revealed the existence in this country of only 70 plans which covered wage earners as well as supervisory personnel, and more than half of them had been adopted during the preceding ten years.[6] The typical plan includes about 540 employees and the total number of wage earners now employed under profit-sharing plans is probably no more than 40,000.

Profit-sharing plans differ in three major respects: (1) coverage and requirements for participation, (2) the form and time of payments, and (3) the formula or basis upon which profits are divided.

Most profit-sharing plans have eligibility requirements, most commonly a period of at least one year's service with the company; under some, the service requirements are as much as five or more years. Some are limited to particular groups of employees, whereas others include other qualifications such as good attendance records, nonparticipation in work stoppages, etc. Recent studies indicate that about two-thirds of the total labor force of the companies having profit-sharing plans actually participate in them.

Of the plans now in existence, only 40 percent provide that the shares in profits shall be distributed currently; the remaining are "trusteed" or deferred distribution plans under which the shares go into a fund for later distribution under specified conditions.[7] The latter are frequently tied in with savings and retirement plans which require employee contributions as a condition for sharing in the profits. Some provide that shares, instead of being paid in cash,

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[6] *Ibid.*, p. 22. There were an additional 70 plans which covered executives or managerial employees, or both.

[7] F. Beatrice Bower, *Profit Sharing For Workers,* National Industrial Conference Board, New York, 1949.

shall be distributed to the employees in the form of the company's stock.

The most important feature of any profit-sharing plan is the formula which determines the proportion of the profits that is to be distributed. More than three-fourths of the existing plans provide that a fixed percentage of net profits (most of them range from 5 to 25 percent), after specified deductions, shall be distributed; according to the remaining plans the management arbitrarily determines each year the amount of profits which shall be shared. The basis of allocation among the participants also varies. A few plans provide for equal distribution among all the employees covered; many allocate the fund in proportion to each employee's annual earnings; under other plans the distribution is left to the discretion of management. Those which are tied in with contributory savings and retirement programs may allocate the fund on the basis of each employee's contribution.

Actual money receipts from existing profit-sharing plans are not great; in 1943 the average payment was about $266 per employee covered. Throughout their history, profit-sharing payments have averaged about 2 percent of the pay roll, 7 percent of the net operating profits, and approximately 10 percent of the dividends of the companies maintaining such programs.[8]

Results of Profit-Sharing Experiments

Experiments with profit sharing have fallen far short of the expectations of the employers who have established them with the hope that they would improve worker morale and bring about increased interest in the profitableness of the business. Characteristically, it has been found that the degree of employee loyalty to a company is a result of the workers' reaction to the whole complex of situations and relations that go to make up their "job," and the establishment of profit sharing alone does not serve to eliminate or overbalance their discontent about some other aspects of the employment situation.[9] Employees are inclined to look upon the

[8] Stewart and Couper, *Profit Sharing and Stock Ownership for Wage Earners and Executives*, p. 38.

[9] An outstanding profit-sharing plan deserves special comment because of its long years of success—the plan which has been in effect at the Eastman

profits dividend as withheld wages, as something to which they had been entitled before it was given them. They never know whether there are going to be any profits or not, and when there are none they are apt to think that the books have been manipulated and the profits concealed for the benefit of the stockholders or executives.

Employee coöperation means to the average employer the discontinuance of restriction of output and the manifestation of unstinted effort. But so long as piece-rate cutting and the fear of layoffs exist, workers are bound to maintain defensive attitudes, and profit sharing is not an adequate antidote to these fears, born of experience. By and large profit sharing has not reduced turnover. The failure of employers to couple their profit sharing with steadiness of employment, and the almost universal practice of confining benefits to those employees who have been with the company for a definite period of time, has prevented profit sharing from producing any marked decrease in turnover among the part of the labor force in which turnover is high. And when boom years come and work is plentiful, employees go elsewhere in quest of higher immediate wages in preference to an uncertain profit-sharing check at the end of the year. Moreover, the size of the profit-sharing dividend is not great enough to exercise great pressure, and many workers and unions are convinced that small profit-sharing dividends are a substitute for higher wages.

Experience with Profit Sharing

In view of the above, it is not surprising to learn that actual experiments with profit sharing have proved disappointing. In relatively few instances have programs for profit sharing been sufficiently successful, according to their sponsors, to warrant their continuance for considerable periods; significantly, the oldest profit-sharing plans are found in companies which have had high, steady profits over many years. Most of the plans which have

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Kodak Company since 1912. The formula provides a wage dividend rate of ½ of 1 percent of all earnings of an employee within the preceding five years for each 20 cents by which declared dividends on common stock exceed 70 cents. The Company states that its wage dividend plan is a basic factor, but by no means the sole reason, for the Company's freedom from labor unrest; that it is only one part of a comprehensive policy of "enlightened industrial relations."

been abandoned were discontinued because of the dissatisfaction which arose when profits diminished or disappeared.

Profit-sharing plans seem to be most successful in companies whose labor forces (or those sharing in the profits) are relatively small. The smaller the groups covered, the easier it has been to obtain the desired coöperation and stimulation of effort; conversely, the larger the number of participants, the less the relative effect of any one individual's efforts upon the total profits and the less, consequently, the direct stimulation provided by profit sharing.

A recent study indicates that 60 percent of the profit-sharing plans in existence in 1937 had been abandoned by 1946.[10] The reasons cited for their discontinuance were as follows:

Apathy and dissatisfaction of employees	30 percent of cases
Diminished profits or losses	22 percent of cases
Substitution of other benefits[a]	13 percent of cases
Changes in management or the discontinuance of business	14 percent of cases
Government regulations[b]	7 percent of cases
Unknown	14 percent of cases

[a] Presumably other benefits would not have been substituted for profit sharing if the latter had been satisfactory.
[b] Most of these were the result of the 1942 Internal Revenue and Wage Stabilization requirements.

PAID VACATIONS AND HOLIDAYS

Much more significant than profit sharing, in both monetary returns and number of persons benefited, is the current practice of granting annual vacations and holidays without loss of earnings. The recent movement of providing wage earners with paid vacations and holidays represents one of the most remarkable phenomena in the entire history of employer-employee relations in this country. Workers have probably never gained any other benefit of comparable proportion as quickly and peacefully, with less governmental assistance. Within less than a decade the granting of paid vacations to industrial wage earners grew from a negligible to an almost universal practice. And this was accomplished largely through union pressure and peaceful collective bargaining; few

[10] National Industrial Conference Board, "Experience with Profit Sharing," *Conference Board Management Record,* February, 1946. These plans included both the deferred distribution and the annual cash payment type.

strikes were called and no legislation[11] was invoked to obtain the right to paid vacations.

Prevalence of Paid Vacations

The right to annual vacations and the observance of national holidays with no loss in salary were an almost exclusive privilege of managers and supervisors and some other white-collar workers before the middle of the 1930's. Although most factories and other business establishments closed down on holidays, hour and day wage earners were compelled to take this time off with loss of pay. The taking of an annual vacation, stimulated by the widespread use of automobiles, had become a national custom, but wage-earners' vacations usually meant the loss of one or several weeks' wages. In only the petroleum industry were paid vacations commonly granted production workers although there were scattered instances among chemical, electric machinery, food, printing, and the large rubber industries.

One of the major objectives of unions after they gained recognition in mass-production and other industries during the 1930's was to obtain for production workers the vacation privileges then commonly enjoyed only by supervisory and some clerical employees. (Many of the latter who formerly were excluded have recently gained such benefits.) The obvious fairness of their demands, together with the fact that annual vacations had become an established custom in this country, impelled most employers to grant the unions' demands with only comparatively mild resistance. In fact, a number of employers, for example the large steel companies, granted paid vacations before collective bargaining was established in their plants but while organization campaigns were under way.

By the time the war stabilization program was inaugurated, a majority of the factory wage earners and practically all the coal

[11] This is in contrast to the British experience. Although unions and collective bargaining traditionally are stronger in Great Britain than in the U. S., British unions turned to their government for assistance in gaining the right to paid vacations. In 1938 the British Parliament passed the Holidays with Pay Act, which empowered all statutory wage-regulating authorities, such as Trade Boards, to give directives providing vacations with pay for workers for whom they prescribe minimum wages, and authorized the Minister of Labor to encourage paid vacations in other industries upon the request of the workers.

miners, shipbuilding, nonoperating railroad and city transportation employees had obtained the privilege of annual paid vacations. With the practice fairly well established, it was feasible for the National War Labor Board to extend the privilege to other workers, their vacation awards frequently being in lieu of wage increases which were not permitted under the stabilization program. Although the government, through the NWLB and its appointed arbitrators, facilitated the granting of paid vacations in a number of particular instances, it is probable that the extension of this policy would have taken place at about the same pace if there had been no war with its attendant abnormal government intervention in employer-employee relations.

At the present time almost all unionized workers, except those in the building trades and a few other seasonal occupations, and at least three-fourths of the unorganized workers, have annual paid vacation rights, under specified service and other requirements.

Types of Vacation Allowances

At first, vacation privileges usually amounted to one week's vacation after one year or sometimes six months with the company. Within a short time, however, most of the vacation provisions were liberalized to include a maximum of two and sometimes three weeks. The more liberal allowances are usually graduated plans which allow the maximum vacation only to the employees who have longer periods of service, most commonly three or five years.

Since 1946 the agreements in coal mining have provided ten days' time off with a lump-sum vacation payment to all employees with service records of a year or longer. Because the nature of their work requires prolonged absences from home, the vacation allowances for most maritime employees are comparatively liberal. Union agreements covering personnel on tankers commonly allow thirty days' paid vacation after a year of service for licensed officers, and twenty-one days after a year for unlicensed personnel. On dry-cargo ships, officers usually receive two weeks after one year, and the unlicensed personnel one week after one year and two weeks after two years' service. Longshoremen on both coasts get a week's paid vacation after 800 hours of work and two weeks after 1350 hours of work.

Vacation pay is usually equivalent to normal or regular wages,

that is, pay based on a 40-hour week. For piece and other incentive workers, vacation pay is based on the average weekly earnings during a specified period, most commonly the month preceding the vacation or the social security quarter preceding the vacation. This form of payment includes overtime, but any absences from work during the period over which earnings are averaged are also reflected in the vacation pay. Vacation pay occasionally is computed as a percentage of annual earnings, usually 2 but sometimes 2½ percent including overtime earnings.

Paid Holidays

Wage earners, unlike salaried employees, customarily have not been paid for holidays not worked even though the holiday falls on a regular workday. Consequently, their weekly wages during a holiday week have been substantially less than normal; over the Christmas season when lack of funds is particularly noticeable, many workers' pay envelopes contained less money than usual. Parallel to the paid vacation movement there has been a tendency toward providing pay for holidays not worked, although this is not as common as vacation payments. Paid holidays are now fairly prevalent, especially in unionized industries, but the practice is not universal.

The number of holidays for which pay is granted varies considerably, some companies providing as few as two or three, and a few as many as twelve or thirteen. Most commonly, six holidays are granted—New Year's Day, Memorial Day, Fourth of July, Labor Day, Thanksgiving, and Christmas. Most union agreements which provide for paid holidays specify that if the holiday falls on Sunday the following Monday is to be observed, and if it occurs during an employee's regular vacation an additional day's vacation with pay shall be granted.

SPECIAL BONUSES

In addition to premiums based upon output under wage incentive plans, and premium payments for overtime work, some employees receive other types of bonuses which are not directly related to production standards or work schedules. Some of these bonuses are paid with more or less regularity from year to year;

others are paid for temporary periods in recognition of abnormal or peculiar situations.

Christmas Bonuses

It has long been customary for some employers to give their employees an annual bonus immediately before the Christmas season. During prosperous times, or when excess profits taxes are unusually high, the payment of Christmas bonuses is much more widespread than at other times. When such bonuses are paid regularly each year, regardless of the economic or tax situation, the costs are considered as part of the regular operating expenses of the business; when their distribution is contingent upon the company's current financial situation, these bonuses assume the aspect of profit sharing. To employees, this difference in concept marks the difference between assurance and uncertainty of receiving a given sum of money each year. To avoid the latter, a number of unions now have Christmas bonuses included in the terms of their contracts.

The amounts of the bonuses and the eligibility requirements vary from plant to plant. Frequently one year's service with the company is a requisite, and sometimes there are additional attendance and good behavior requirements. Probably the most common type of bonus is based upon a percentage of annual wages, for example 2 percent, and under such plans there may be no service or attendance requirements, because the amount received is automatically adjusted to the time worked. Some companies pay a uniform amount to all regular employees, irrespective of individual earnings or length of service beyond the required minimum for obtaining a "regular" status; other companies base each individual's bonus upon a fixed sum per year of service.

Employer motives for the payment of Christmas bonuses are not unlike those for profit sharing, although the practice of paying Christmas bonuses is much more general. They promote good will, loyalty, and stability among employees and also provide a means of sharing some of the company's income during prosperous times without committing the company to added costs (as would a wage increase) which would be difficult to reduce during periods when profits are not high.

War Risk Bonuses

The bonuses paid merchant seamen while a war is in progress are an illustration of a bonus paid a particular group of workers because of a peculiar and temporary work situation. The ordinary marine hazards of peacetime are regarded as part of the seafarer's calling. War entails unusual hazards, for when peaceful trade routes become the hunting grounds of enemy submarines and aircraft, every journey a seaman sets out upon may very well be his last.[12]

In World War I a bonus was paid seamen amounting to 50 percent of the basic wages for the duration of each voyage across seas, and 25 percent for coastwise voyages. Beginning in 1940 a series of arrangements were negotiated as the hazards of travel increased with the extension of war areas, the gradual lifting of travel bans under the Neutrality Act, and finally our entrance into the war. The last arrangement provided a bonus which was equivalent to 100 percent of the seaman's basic wages for all transoceanic voyages, and 40 percent for most coastwise trips. In addition there were "area bonuses" amounting to $5 a day while vessels were within specified areas (the designated areas were changed from time to time with the fortunes of war), and port attack bonuses of $125 paid each seaman when a port or anchorage was subjected to enemy attack while his vessel was in it. Area bonuses were reinstalled in 1950 following the outbreak of hostilities in Korea.

Cost of Living Bonus

Another type of bonus which is also associated with war conditions, although less directly than war risk bonuses, is the cost of living bonus. Unlike wage increases, the cost of living bonus is a lump-sum payment which is adjusted from time to time, for example every quarter, according to the rise and decline in the cost of living index and which automatically ceases when the index returns to a stated point. The purpose of cost of living bonuses is

[12] The Maritime Commission reported 5638 seamen on American flag vessels dead or missing from Pearl Harbor to the end of World War II. The average employment during the war was approximately 130,000 seamen.

twofold: to maintain existing wage levels during an inflation period when there are great fluctuations in prices, and at the same time to provide workers with additional income to the exact equivalent of the increase in the cost of living.

Organized labor is opposed to the principle of cost of living bonuses for the same reason that it objects to the automatic gearing of wages to a cost of living index. During World War I the payment of such bonuses was quite general; however, during World War II, largely because of union influence, cost of living bonuses were rare in this country but more general in Canada.

Family Allowances

The practice of paying extra sums to heads of families according to the size of family is almost nonexistent in this country but is an important feature of the wage system in some other countries.[13] In Europe, family allowance systems were an outgrowth of the cost of living bonuses paid during World War I and the postwar inflation period. Although they were adopted by many employers as a substitute for general wage increases, the movement was encouraged and sometimes made mandatory by various governments in order to encourage large families. In France, which is especially concerned over her decline in population, family allowances have become an integral part of the wage system. There the allowances amount to from 4 to 10 percent additions to the worker's wage, depending upon the number of children. To meet the problem of discrimination in favor of employing workers with few or no children, the allowances are paid out of equalization funds, some of which are established on an area and some on an industry basis, to which each employer contributes according to a formula based on his total wage bill and total number of employees.

Family allowances, when part of the wage system, represent remuneration in accordance to need rather than output. The ques-

[13] In 1929 in Germany, family allowance clauses covering 3 million workers in private industry were included in employer-union agreements. In 1930 in France, over 4 million persons in private industry were employed in enterprises which paid family allowances. The latter are still in effect and the allowances have recently been increased. In most other countries, family or children allowances are incorporated in the social security programs or are financed by grants from the general revenues of the government. See chap. 27.

tion of incorporating such allowances in the wage structure of private industry in this country has never risen and would most certainly be opposed by American labor unions, whose concern is to maintain the concept of wage levels sufficient for family support.[14] Even in Europe where the need for family allowances is accepted and promoted by workers' organizations, most unions prefer and sometimes demand that such payments be integrated into social insurance systems rather than take the form of wage supplements.

EMPLOYER-FINANCED BENEFIT PROGRAMS

To the extent that sick benefit and pension plans are financed by employers and have been voluntarily adopted entirely apart from governmental social security programs, they can be considered as supplements to weekly wages. To the employer who finances them they represent labor costs; to unions they are a matter for bargaining along with wages; to individual workers they represent monetary benefits that are additional to the wages received for work performed. Employer assistance during periods of sickness is of two general types: (1) continuation of the payment of wages during all or part of the period of illness, and (2) financing of formal sick benefit plans which provide for medical care in addition to weekly cash payments.

Paid Sick Leave

The granting of sick leave without pay, but without loss of seniority or employment rights, has long been the practice with a majority of American employers and is provided for in a great proportion of current union agreements. The continuation of wage payments to production workers during periods of sickness is not common practice, although labor unions to an increasing extent are now bargaining to obtain paid sick leave for their members. At present, however, paid sick leave is the exception rather than the

[14] Family allowances are paid to a considerable number of public-school teachers in this country. In an attempt to attract and maintain men in their school systems where regular salaries are low in comparison to salaries in private industry, at least 75 cities pay family allowances or married men's differentials. (Bureau of Labor Statistics, *Family Allowances in Various Countries, 1944–1945*. Bulletin No. 853.)

rule among manufacturing employees, but is fairly common among public utilities, wholesale and retail trade, telephone and telegraph, city transportation, and clerical and professional workers.

Depending upon the proportion of regular wages received, paid sick leave provisions are of three types: (1) full pay for a limited period; (2) less than full pay for a limited period, i.e., a stipulated portion of the regular wages, such as 50 or 70 percent, or a stipulated amount, such as $10 a week or $50 a month; (3) payments to supplement group insurance or workmen's compensation benefits, such as payment of all or a portion of the regular wages during the waiting period for workmen's compensation or after insurance benefits have been exhausted.

Paid sick leave plans also vary with respect to qualifying requirements and length of leave allowances. In some instances there are fixed or uniform arrangements for all eligible employees; elsewhere there are graduated or sliding-scale arrangements which provide more generous time and wage allowances for employees with longer service. The time allowed under existing plans varies from three days per year for all eligible employees, to as much as 52 weeks under graduated plans for employees with long service records. In general, full wages are paid when the time allowed is no more than one or two weeks; but when extended time is allowed, the amount received each week is equivalent to less than full wages. Frequently a waiting period is required before payments are made in order to restrict compensation to illnesses of longer duration; sometimes, however, payments are retroactive to the beginning of the absence if the illness extends beyond the waiting period.

Disability Benefit Plans

Although some sick benefit programs, wholly or partially employer-financed, have been in existence for a long time, they have become much more numerous during recent years. In 1949 no less than four million wage earners were covered by some form of health and welfare plan financed in whole or in part by their employers, and such plans are at present a major issue in contract negotiations.[15]

[15] In 1948 the National Labor Relations Board made a ruling, later upheld by the courts, that employers must bargain with their employees on pension, retirement, and group health and accident insurance programs. The substance of

The increase in the number of benefit plans is an indication of the workers' increasing consciousness of the need for protection during periods of disability, as well as an evidence of union strength which has enabled them to obtain plans which are largely employer-financed. During the war stabilization program, a number of sick benefit plans were negotiated in lieu of wage increases, but many have been established since the ban on wage increases was lifted. Until provision for health insurance is incorporated in the social security program (see Chapter 31), the number of privately administered plans will no doubt continue to increase. Even with a government program in effect, unions and employers may continue to establish their own supplementary programs.

The earlier sick benefit plans, as well as a number in effect today, were voluntarily established by employers as part of their general employee welfare programs. In most cases they were jointly financed by the employer and his employees and administered through a company mutual benefit association. The mutual benefit association movement in this country began before the turn of the 20th century and grew until the depression of the 1930's. Many of these associations gradually assumed additional functions and developed into employee representation groups, or what later came to be called company unions. In addition to the mutual benefit associations, a considerable number of companies maintained group policies with commercial private insurance companies which included life insurance as well as sick benefit features.

Benefit Plans Provided by Collective Bargaining

Organized labor has never wholeheartedly endorsed company-established benefit plans because it suspected that they were adopted to win employee loyalty and discourage union organization. During recent years an increasing number of unions have succeeded in having health benefit plans included in their agreements with employers. Some of these represent the substitution of contractual arrangements for already established employer plans, but many of them are new. Many of the plans negotiated through

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the NLRB ruling was that unions have a right to bargain collectively on rates of pay and other working conditions, and that pensions and benefit programs are included in the term "wages"; that the union's interest in benefit programs is therefore no different from its interest in the wage structure.

collective bargaining are financed entirely by employers, although the unions assume a major role in their administration.[16] A considerable number, in both unionized and unorganized shops, are underwritten by private insurance companies which assume the responsibility for determining eligibility claims and payment of benefits, although frequently the union, or the union and employer jointly, review the claims and sign drafts on the insurance company.

Most of the agreements which provide for health benefit plans stipulate that the employer shall contribute a specified percentage of his pay roll to meet his obligations although some, for example the coal mining agreements, provide for a levy on the goods produced. The percentage of pay-roll contributions range from 1 to 5 percent, but most commonly it is 2 or 3 percent. In the main, the health benefit plans provided under union agreements include weekly cash benefits during periods of illness and of disability caused by nonoccupational accidents, and the payment of hospital and surgical expenses and, in some cases, doctors' bills. Dental care and medical preventive work, such as periodic examinations, are not commonly provided under these plans, although many large companies maintain these types of service.

Most of the plans include weekly disability benefits ranging from about 50 to 60 percent of an employee's regular earnings or, where fixed benefits are stipulated, from $12 to $26 per week. (As might be expected, the benefits tend to be higher under plans negotiated in industries having relatively high wage scales.) The maximum time allowed for receiving benefits usually ranges from 13 to 26 weeks for any one continuous disability, although several plans allow continuous coverage for 52 weeks. Under almost all the plans the payment of benefits commences on the eighth day of disability in case of illness, and on the first day in accident cases.

[16] The 1947 Labor Management Relations Act specifies that the details of all benefit plans must be stated in the agreement and must be administered jointly by representatives of the employer and the employees, and must make provision for a neutral person to resolve any deadlock between the partisan representatives. Payments to the benefit funds must be held in trust for the payment of specified types of benefits and there must be an annual audit of the accounts. Payments intended to provide pensions or annuities for employees must be made to a separate trust which provides that the funds held therein shall not be used for any other purpose.

Payments for hospital services, ranging from $4 to $5 per day for 31 days, are usually allowed for any one continuous disability, but are limited to 12 or 14 days in maternity cases or cases involving any condition resulting from pregnancy. Frequently, an additional $25 is allowed for special hospital expenses. Payment for medical service is not commonly provided, although a few plans allow specified payments for doctors' services up to a maximum of 50 visits for any one disability; payment usually begins with the first treatment in case of accident, and the fourth in case of illness. Maximum surgical benefits under most of the plans range from $100 to $175, and these plans frequently furnish a schedule of surgical allowances for different types of operations. Hospitalization coverage for dependents is provided in some plans, but it sometimes entails additional contributions by the employee.

Three health and welfare programs deserve special consideration because of their methods of administration and the variety of services rendered. Those in the clothing industry are a development of a good deal of experimentation and represent a transfer from union to employer financing within recent years. The program for the coal miners represents a complete change in methods of financing and administering medical services formerly provided, as well as a great expansion in benefit features. All three are established on an industry-wide basis which permits workers to change their places of employment (within the industry) without losing their benefit rights.

Benefit Program of the International Ladies' Garment Workers' Union. The benefit programs currently in effect for members of the International Ladies' Garment Workers' Union are an outgrowth of the union's welfare and health programs formerly financed entirely by the members. These plans include vacation payments in addition to sick benefit payments and medical services; some also include retirement and unemployment provisions, but none provide death benefits which are paid for out of the union treasury. The employer usually contributes from 3 to 5 percent of his gross pay roll. From a third to a half of this amount is allocated for health benefits, the rest being used to finance the vacation and retirement provisions.

The I.L.G.W.U. programs stress medical care, and the union has established health centers in most of the important clothing

areas. The health center in New York City has been in operation since 1912, the one in Philadelphia was established in 1943, that in Fall River was opened in 1944, and that in Newark, N. J. in 1949. Until 1943, the New York center[17] was financed by local union contributions, any deficits being met by the International Union. Since then, a large part of this center's financial support has been derived from funds paid by the employers to the union under health insurance programs included in union agreements. The health center acts as an agency for the certification of benefit claims, its physicians making recommendations approving or disapproving cash benefit payments under the insurance program.

To be eligible for benefits, the worker usually must have been a member of the union in good standing for at least six months (in some cases nine months), and have no more than four weeks' dues unpaid. The usual allowances range from $6 to $15 weekly for from 10 to 13 weeks in any year, with payments beginning on the eighth day of illness. Hospitalization benefits are $2 to $5 a day, the time allowed ranging from 12 to 21 days. In tubercular cases, the workers are given the choice of a cash benefit payment of $200 to $250, or treatment in a sanatorium for the entire period of illness.

Benefit Program of the Amalgamated Clothing Workers. The insurance plan of the men's clothing union is financed entirely by manufacturers and contractors, who contribute 5 percent of their weekly pay rolls to the Amalgamated Insurance Fund. The resources of the fund are employed to operate the Amalgamated Life Insurance Co., a capital-stock insurance company chartered under the laws of New York State, with a board of directors composed of union and employer representatives. This company issues policies and pays the benefits to eligible members of the union who are employed by the contributing employers.

All workers in the men's clothing industry (including learners and clerks, as well as production workers) who have been members of the union for at least six months, and who have worked for an employer at least one day in each of six different months, are au-

[17] In 1949 a new $3,500,000 Union Health Center was opened in New York City which occupies six equipment-laden floors of the 26-story building which is owned by the union. This center employs 148 physicians, 88 nurses, 27 technicians, 5 pharmacists, and 150 clerical and maintenance employees.

tomatically insured. Employees are covered as long as they are employed in any shop included in the plan, and for four months after layoff from the industry; but insurance terminates upon withdrawal, suspension, or expulsion from the union.

Benefits vary but usually include the following: payments for as many as 26 weeks per year for illness or accident; payments to cover hospital costs for as many as 62 days per year; maternity payments up to $100; surgical benefits up to $150; death benefits up to $500; retirement benefits for workers reaching the age of 65 amounting to about $100 a month, inclusive of the Federal pension. Three medical centers are available to members in New York, Philadelphia, and Chicago, established by joint boards of Amalgamated members and industry representatives.

Coal Miners' Welfare and Retirement Program. Because coal mining is extremely hazardous and also is performed in isolated communities distant from normal medical facilities, it has always been necessary to have special medical arrangements for miners and their families. The customary arrangement was for coal companies to employ "company" doctors and maintain first-aid centers. However, the costs of these medical services were not borne by the company alone; there was a forced checkoff of miners' wages to pay for a portion, and in some cases all the expenses,[18] even though the miners had no voice in the selection of the doctors or administration of the programs.

This compulsory checkoff for company managed medical services was always a major grievance of the miners, but it was not until 1946 that a change was effected. According to the contract negotiated that year by the United Mine Workers and the Secretary of the Interior,[19] a Welfare and Retirement Fund was estab-

[18] The miners claimed that in some instances the employers actually gained from this checkoff arrangement because the doctors took care of accident cases which the employers were legally responsible to provide under Workmen's Compensation laws.

The need for improvement and expansion of medical services is indicated by the fact that the death rate for miners is more than 50% higher than that of the general population and life insurance rates for miners are 277% higher than for workers in nonhazardous industries. (Howard A. Rusk, *N.Y. Times*, Oct. 30, 1949.)

[19] Largely over this issue the miners had gone on strike after negotiations with the employers had become deadlocked and the President, under his wartime powers, instructed the Secretary of the Interior to take over the mines and negotiate an agreement with the union. See chap. 22.

lished for the payment of disability, retirement and death benefits, financed by a 5-cent levy on each ton of coal produced. In 1947 the levy was increased to 10 cents, in 1948 to 20 cents, and in 1950 to 30 cents a ton which, under full operations, is expected to provide a Fund of more than $130 million a year.

Payments from the Fund are in the form of pensions, disability grants, death benefits, hospital and medical care. Miners who retire at the age of 60 who have served 20 years in the industry (not necessarily with the same employer) receive $100 a month pensions. A death benefit of $1000 is paid to the dependents of every deceased miner. Disability benefits provide a maximum of $60 per month for the disabled miner, $20 for his wife, and $10 for each dependent child. In case of a miner's death his widow receives a maximum of $60 a month with $10 for each dependent child. From all maximum allowable amounts deductions are made of money received from the government's Old Age and Survivors' Insurance, Workmen's Compensation, and any other regular income.

The Fund also provides for preventive and rehabilitation programs, as well as medical care. From the Anthracite Welfare Fund a substantial grant was made to the Jefferson Medical College in Philadelphia for a five-year program of research and treatment of silicosis and other occupational diseases. Miners disabled as a result of accidents are being sent to the Institute of Rehabilitation of the New York University Medical Center. Other disabled miners are being sent to California rehabilitation centers at the Fund's expense.[20] The hospital and medical program is carried out through 10 regional offices strategically located in the coal mining areas. The ultimate goal is a complete program of prepaid hospital and medical care for all members and their families. Physicians and hospitals are coöperating to provide high standards of medical and hospital care at costs as reasonable as such quality of care can be had under any system.[21]

[20] When the Fund started, the medical staff reported there were more than 400 miners who were paralyzed from the waist down as a result of mine accidents that had literally broken them in two and severed their spinal cords. Many of these men had lain in hill cabins or in small mining camps without medical care for more than 25 years. (Report of United Mine Workers Welfare and Retirement Fund, May 1, 1949.)

[21] Two years' operation of this program revealed that it could not be financed on the existing 20-cent-a-ton levy. Most of the program had to be sus-

EMPLOYER-FINANCED PENSION PROGRAMS

A generation before the inaugauration of the federal old age pension program a number of employers began to accept some responsibility for caring for their aged employees. By 1934 there were several hundred company pension plans in operation and in that year employers contributed more than 100 million dollars to finance them; 120,000 former employees were receiving annual pensions.[22]

These pension programs were voluntarily established by employers who were actuated by both humanitarian and business motives. After being in business for thirty or forty years, any concern has some employees who are old both in years and in service; the company has benefited from their long years of steady, loyal service, but their weekly wages, which have probably suffered intermittent interruptions because of layoffs and sickness, have not enabled them to save for their old age. Their retirement on a pension satisfies a sense of justice and also makes possible their replacment by younger, more vigorous workers.

Early Voluntary Plans

As an adequate pension system for the mass of industrial workers, voluntary programs operated on a company basis not only were much too limited in number but also had some inherent disadvantages. Most of these private plans required long periods of continuous service with the company as a condition of receiving pensions. Their most serious deficiency was the fact that they were voluntary and employers could terminate them at will. When a plan was terminated it meant not only that the present employees were deprived of the prospect of old age benefits but that the monthly payments ceased abruptly for those already on the pension rolls.[23] Typically the plans specified:

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pended in the summer of 1949 while the union engaged in a prolonged struggle for an increase in the levy. Even with the higher 30-cent-a-ton levy obtained in March, 1950, it was expected that there would have to be some modifications in the pension and other payments in order to keep within the limitations of the Fund.

[22] *Monthly Labor Review*, January, 1937, p. 61.

[23] In 1909 Morris and Company of Chicago established a contributory pension plan. In 1928 the company sold its business to Armour and Company. At

This pension plan has been established voluntarily by the Company; and the Company shall have, and hereby expressly reserve to themselves, the right and privilege to amend, suspend, or annul it at any time at the pleasure of the Company. The plan indicates and embodies the present attitude and intention of the Company in reference to the payment of pensions to the employees of the Company, but it is not understood or construed as ever constituting in any respect a contractual relation between the Company and any such employee.

Even though a company might not wish to terminate its pension program, the continuation of payments was contingent upon its financial condition. The pensions paid under many of the earlier plans were charged to the company's operating pay roll and thus were dependent upon current operating income. Even though the company established a separate pension fund, continued pension payments depended on its ability regularly to augment the fund. Business reverses, and especially general business depressions, have deprived many employees of pensions which they had been led to expect would be coming to them upon their retirement.

Experience with voluntary company pension plans demonstrated that they alone could never be the solution of the problem of old age security for the mass of workers. The 1929 financial crisis and the subsequent termination of the employment status of millions of workers accentuated a conviction, which had been growing for many years, that more adequate measures were necessary. This resulted in the adoption of the federal old age assistance and insurance programs discussed in a later chapter.

Existing Private Pension Plans

A comprehensive government program, however, does not necessarily mean that there may not be advantages to both employers and workers in maintaining voluntary plans also. Proof of this is

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the time of the sale the company had contributed $1,250,000 and employees $1,048,352 to the fund. After the sale many member employees withdrew their contributions and the reserve fell to $320,000; this was enough to continue the pensions then being paid for only fourteen months. Some of the pensioners sued Armour and Company to compel them to continue their pensions, basing their claims upon the theory that Morris and Company had entered into a contract which Armour's had taken over with the business. Their contentions were completely denied by the court. (*Agnese R. Cowles, et al., Appellants* v. *Morris and Co.*, Appellate Court, First District of the State of Illinois, December 21, 1926.)

the increase in private pension plans since the inauguration of the federal program. Since a large majority of the existing plans cover employees who are also covered by the federal program, the benefits accruing from the company plans represent additional gains.

These additional benefits take various forms, depending upon the particular type of plan in effect. Some provide that pensions shall begin at an earlier age than the minimum required by the Social Security Act; most provide for an augmentation of the government pension; an increasing number provide monthly payments to workers who become totally and permanently disabled before the normal retirement age. A majority of the privately negotiated plans specify a "normal" rather than a compulsory retirement age, with retirement at that age (usually 65) at the discretion of either the worker or the management. Pensions are usually graduated according to the number of years' service with the company. Most of those negotiated with unions during recent years are financed entirely by the company, many of them specifying that a fixed amount, such as 5 or 7 cents per employee per hour worked, be laid aside by the employer for the pension program. (According to the Labor-Management Relations Act such monies must be put into a separate trust fund and not be used for any purpose other than the payment of pensions or annuities.)

Typical of the pension programs recently negotiated by unions with steel, automobile and other large employers, is the plan put into effect in 1949 at the Bethlehem Steel Company. This program is financed entirely by the company. It provides for minimum pensions of $100 per month, inclusive of federal old-age insurance, after 25 years of service with the company. Normal retirement is at age 65; however, employees may continue in employment at the discretion of the company. The benefits received are based on earnings and service. The base period for computing earnings is the 120-month period (10 years) next preceding the month of retirement. The monthly payment is one percent of the average monthly earnings during this period multiplied by the number of years of continuous service. For example, an eligible employee whose average monthly earnings in the 10-year period is $350 would get, after 30 years' service, $105 a month. If average earnings were $300 and he had 25 years' service, he is entitled to $75 a month

according to the formula but since the contract guarantees a $100 minimum for 25 years' service, he will receive that amount. Smaller pensions for employees with less than 25 years' service, down to as little as 15 years' service, are computed on a pro rated basis with a minimum of $65 inclusive of government pensions. If an employee with 15 or more years' service becomes permanently disabled through any type of accident, he receives a minimum payment of $50 a month until he reaches age 65, after which he comes under the regular retirement program.

Merits and Deficiencies of Private Plans

Employer contributions to health and retirement programs can be considered as supplements to wages received for time and output on the job. They also represent an element in costs of production which directly (as in coal) or indirectly enter into the prices paid for goods and services. In lieu of adequate governmental programs private plans provide much needed health and retirement protection to workers. However, there is little uniformity in the plans which have been established, and the present checkerboard pattern of benefits, or lack of benefits, in various industries does not provide an orderly, secure guarantee of protection to American workers against the hazards of ill health and old age.

Even though most existing plans are incorporated in union contracts and therefore cannot be abandoned at will by the employer, as were the programs of an earlier day, this does not insure their financial stability. Dependent as they are upon an individual employer's or industry's ability to make payments when due, they necessarily rest upon such a shaky financial base that a major economic upset may send them toppling, with attendant disillusionment and hardship to those who had counted on them for security. Moreover, plant or industry programs tend to freeze workers to their jobs since they cannot leave the plant or industry without forfeiting their pension rights. On the whole, this is probably not best for either the workers or industry. It may deter workers from seeking better opportunities for themselves, and it tends to destroy the fluidity of the labor supply which has been a major factor in our industrial progress. Also under modern industrial conditions, many workers are forced to change their places of employment from time to time because of layoffs. Older workers

laid off not only lose pension rights already gained through accumulated service, but find it difficult to obtain new jobs because employers with pension programs are reluctant to take on older workers who will soon be eligible for pension payments.

The alternative to individual private plans, obviously, is an adequate and comprehensive government social security program, discussed later in this book. Even though the present social security program is expanded, particular groups of workers and their unions undoubtedly will continue to press for company programs to supplement social security payments. But a reasonably adequate government program would ease much of the pressure for private plans and it would provide uniform, minimum security to all workers.

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CHAPTER 15

GOVERNMENT REGULATION OF WAGES

IT IS AN AXIOM OF A FREE, COMPETITIVE ECONOMY THAT RATES OF wages shall be a matter for the buyers and sellers of labor to negotiate between themselves. In an ideal, exactly balanced economy, the rates so determined would presumably represent the optimum for the individuals and groups directly concerned, as well as for the general welfare. But the most fundamental of all truths is that human society, although ever striving, never attains an ideal status, and that there is never an exact balance of power or influence among the several groups making up that society. It remains, then, for the sovereign power of the government to intervene in order to mitigate the effects of the imbalances and inequalities. Reluctantly, and sometimes belatedly, governments enact laws to regulate wages when conditions become sufficiently acute to cause dire distress to certain individuals, or when the welfare and economic progress of the nation itself is threatened. Not all wage legislation, it must be added, has been enacted for the common good; some laws, at least those of earlier days, were enacted to protect the interests of special groups who happened to be in control of the government.

Types of Wage Legislation

Wage legislation is of two general types: (1) legislation which establishes certain specific rates, and (2) laws providing that already established standards shall be made generally effective, or shall be made to apply to groups which otherwise would not receive the prevailing rates. The first type may, but seldom does, incorporate the rates in the laws themselves; more frequently the laws provide for administrative agencies which determine the specific rates according to the general principles laid down in the law.

The rates established may be either minimum or maximum rates, depending upon the purpose of the legislation.

The second type of legislation accepts the reasonableness of the rates already prevailing in a particular industry or area and requires that they shall be paid throughout that industry or area, thus removing the competitive menace of employers who otherwise would pay lower rates than those paid by the majority of employers. In this country, "prevailing wage" legislation has been largely confined to the regulation of wages on public works. Most of the Canadian provinces have laws which apply the prevailing wage standard to private industry as well. The Collective Agreement Act of Quebec, for example, provides that where a collective agreement has been entered into by an organization of employees and one or more employers, either side may apply to the Minister of Labour to have the terms of the agreement[1] made binding throughout the province, or within a certain district, on all employers and employees in the trade or industry.

REASONS FOR WAGE LEGISLATION

Throughout the years, when a government has intervened to regulate the rates of wages to be paid in private industry, it has been motivated by one or more of the following principles: (1) To protect a particular group, either workers or employers, who happened at the time to be in an extremely weak bargaining position because of either scarcity or abundance in the labor market. If the legislation is to assist employers the wages will of course be maximum rates; if employees, they will be minimum standards. (2) To protect the health of particular workers by enabling them to secure subsistence living. (3) To protect the general economy by either increasing or stabilizing purchasing power, according to the need at the time. In addition, there is legislation to regulate the wages of those persons who directly or indirectly work for the

[1] The "Terms" cover, in addition to wages, hours and certain other working conditions. When application is made to the Minister of Labour a notice is published and 30 days is allowed for filing objections, after which an Order in Council may be passed granting the application, with or without changes as considered advisable by the Minister. The Order in Council may be amended or revoked in the same manner. Each agreement is administered and enforced by a joint committee of the parties concerned.

government. Such laws are based on the principle that the government should be a "good" employer and pay at least as much as prevails in private industry.

The first of the above principles was the basis of legislation as far back as the 14th century in Great Britain and the colonial period in our own country, when laws were enacted to protect employers during times when labor was scarce. The minimum wage legislation enacted during the past generation is based in part on the first but more on the second principle. The wage rates resulting from the National Industrial Recovery Act were a spectacular illustration of governmental efforts to revive the general economy by increasing wages and purchasing power. In contrast, the wage regulations during the recent war period were directed toward preventing sharp rises in wages in order to stabilize purchasing power and prevent inflation.

Maximum Wages

Early wage legislation in Europe and colonial America reflected the interests and "needs" of the landowners and other employers of labor who were in control of the government at that time.[2] Following the Black Death in England (1348), which reduced the working population by one-half, laws were enacted to regulate wages and to prevent workers from taking advantage of the labor shortage. Throughout the Elizabethan era and almost to the close of the 18th century, the British Parliament enacted a succession of statutes empowering local officials to fix maximum prices for labor and to penalize employers who paid more, as well as laborers who asked more, than the established rates. Compliance was difficult, especially when labor was scarce and employers were willing to pay above the maximum rates rather than do without needed workmen.

Throughout our colonial period, farm and urban employers faced a scarcity of both skilled and unskilled labor. Although a continuous stream of free and indentured labor arrived on our shores, the abundance of free land induced most of them to forsake their normal occupations and to leave their masters as soon

[2] Until well into the 19th century, in Europe as well as the United States, the right to vote was held as a vested privilege attached to a particular status generally connected with the possession of lands and other property.

as their period of indenture was served. The town and colonial governments tried various measures for procuring needed labor[8] and keeping workmen from taking advantage of their meager numbers by charging "excessive rates." As early as 1630, Plymouth Colony and Massachusetts Bay Colony passed laws fixing maximum rates of pay in certain skilled trades as well as for "inferior" workmen. Employers were soon overbidding the rates, however, and the penalty for paying more was repealed, although workmen continued to be fined for accepting more than the fixed rates. Thereafter, the delicate problem of enforcing wage regulations was left, for the most part, to the town authorities, but they were not much more successful than the colonial governments.

Minimum Wages

The wage legislation of the 17th and the early part of the 18th century was directed toward protecting employers against "excessive" rates rather than workers against depressive rates. With the advent of the Industrial Revolution employers no longer sought to have wages fixed by statute. Accepting the principle of

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[8] The tendency of craftsmen to become farmers was frowned upon in New England, since it was "more to the public welfare and the Glory of God to hold them to the trade"; it was specifically legislated against in Virginia. Agents of the Virginia Company were instructed to establish tradesmen in towns in order "to remove them from the temptation to plant on their own account." Later, after the Colonial Assembly was established, persuasive tactics were used and a law was passed which exempted "handicraftsmen" from taxation.

New England towns also made concessions in order to obtain the services of needed mechanics. If local laws limited property holding and citizenship to "freemen" and "commoners," and thus operated to exclude needed tradesmen from a town, the laws were either suspended in given cases or the town found some way to get around them. Both Boston and Charlestown in 1640 waived certain of the citizenship requirements to obtain carpenters. As early as 1635, Lynn voted to admit a landless blacksmith, and later granted him 20 acres of land, thus keeping both the blacksmith and the letter of the law requiring that residents be landholders. The town of Windsor, Connecticut, presented a currier with a house and land and "something for a shop," but it was to belong to him and his heirs only on condition that "he lives and dies with us and affords us the use of his trade." In 1656 a skilled weaver was granted "twelve acres of meadow-land and twelve acres of upland" in what afterward became the great textile center of Lowell, Massachusetts, "provided he set up his trade of weaving and perform the town's work." (Bureau of Labor Statistics, *History of Wages in the United States from Colonial Times to 1928*, Bulletin No. 604, pp. 8, 11, 46.)

laissez faire and the demand-supply theory of wage determination, the employers were mainly concerned with seeing that their government maintained a condition of "free" competition in the labor market by forbidding and discouraging workers to combine in order to raise their wages.

Opposition to this kind of government policy began to be expressed during the latter part of the 19th century, not only by wage-earning groups but by the socially minded public, people who were concerned with the evils of wages that were insufficient to enable workers to live decently. The result was a general movement in many industrial countries toward the establishment of legal minimum levels for all workers, or at least for particular classes of workers—for example, women—who for various reasons were unable to obtain adequate wages through their own efforts. Minimum wage legislation started in New Zealand in 1894, when a compulsory arbitration law was passed which gave district boards the power to fix minimum wages. Australia followed in 1902, and in 1909 Great Britain established her trade board system for those industries or trades in which the prevailing rate was "exceptionally low as compared with that in other employments."[4] A few years later the movement for minimum wage laws began to have effect in the United States.

STATE MINIMUM WAGE LEGISLATION

Under our federal form of government it was natural that wage as well as other kinds of labor legislation should have been initiated by the state governments. Until recent years, except for labor

[4] In 1918 Parliament amended the Trade Board Act of 1909, which had limited the application of trade boards to "sweated" industries, to permit the Ministry of Labour to set up a trade board in any trade in which, in his opinion, "no adequate machinery exists for the effective regulation of wages throughout the trade, and that accordingly, having regard to the rates of wages prevailing in the trade or any part of the trade, it is expedient that the principal Act should apply to that trade." Presently there are some 50 trade boards in operation.

The arbitration boards of New Zealand and Australia, as well as the trade boards of Great Britain, do not confine themselves to minimum rates for the least skilled workers, as does most of the minimum wage legislation in the United States; they also establish minimum rates for semiskilled and skilled occupations. Since 1938 the British trade boards have also been empowered to grant vacations with pay.

conditions on federally financed projects, wage legislation was confined to state action and was built around the police powers of the state to protect the health and well-being of individuals and to safeguard them from fraudulent and unjust practices. Legislation pertaining to the rates to be paid by private employers was limited almost entirely to regulations covering women and minors on the theory that their bargaining power was inadequate to prevent oppressive wages which were inimical not only to themselves but to the general welfare. More recently, a few states have extended their legislation to cover men in private employment. Many states in their capacity of employers have also enacted laws to regulate the wages of men, as well as women, who are employed on state-financed public works. Most of these, like the federal statutes discussed later, provide that the "going" or "prevailing" rates of wages in the locality shall be paid on state public works.

Progress of Minimum Wage Legislation

Minimum wage legislation was introduced in this country during the period of "reform" preceding World War I. The pressure for legislation was exerted for the most part by public-spirited non-wage-earner groups who were aroused to the social evil of underpaid women workers. With a few exceptions, organized labor, which at that time was largely composed of building and metal workers and miners, almost exclusively male trades, lent only nominal support to the early campaigns and in some cases actively opposed the legislation. Indifference on the part of the unions was attributable both to their general feeling at that time that "the less legislative intervention in labor matters, the better" and to their fear that minimum wages inevitably become maximum wages and hinder collective bargaining. The National Consumers League, which spearheaded the movement for minimum wage legislation, had at first sought to improve working conditions for women and children by using the label and appealing to the public as consumers not to purchase goods which were manufactured under depressed conditions. Meeting with indifferent success through this approach, it turned to legislation.

Massachusetts enacted the first minimum wage law in 1912 and the next year eight other states followed.[5] Thereafter the move-

[5] Colorado, California, Minnesota, Nebraska, Oregon, Utah, Washington, and Wisconsin.

ment lost its momentum, although by 1923 eight additional laws had been enacted.[6] The first Massachusetts law represented a cautious step. The law was not mandatory but depended entirely upon publicity for enforcement. Both the financial condition of the industry and the cost of living were taken into account in establishing minimum rates. Several of the other states, although their laws were mandatory and based solely on the cost of living concept, established minimum rates so low that they had little effect in raising wages, and fell far short of the cost of living standard as prices advanced rapidly during and after World War I.

In all the states the operation of minimum wage laws was hampered by continued attempts on the part of employers to get them declared unconstitutional. In 1917 the question seemed to be settled when the U. S. Supreme Court sustained the favorable decision of the Supreme Court of Oregon. However, in 1923 when a new case from the District of Columbia was brought before the U. S. Supreme Court, its personnel having altered in the meantime,[7] that court held the District minimum wage law unconstitutional. The 1923 decision held that the District law conflicted with the due process clause of the Fifth Amendment because it took away the liberty of employers and workers to include any terms they wished in their employment contract. It was based on the principle that labor is a commodity and that compelling employers to pay a living wage is taking away their property rights; that the Nineteenth Amendment put women on an equality with men, and that women are as able as men to bargain for their wages with

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[6] Arkansas and Kansas in 1915, Arizona in 1917, the District of Columbia in 1918, North Dakota, Texas, and Puerto Rico in 1919, and South Dakota in 1923. The Nebraska law, however, was repealed in 1919. Texas also passed a law in 1919 but repealed it in 1921, minimum rates having never been put into operation. (U. S. Department of Labor, Women's Bureau, *The Development of Minimum Wage Laws in the U. S., 1912–1927,* Bulletin No. 61.)

[7] *Adkins* v. *Children's Hospital,* 261 U. S. 525. One justice who favored minimum wage legislation did not participate; the result was the equivalent of a five-four vote against validation. Much has been written about the timing of this case and the effect of a change in personnel on the court. It has been maintained that from the time of the enactment of the first legislation in 1912 until 1930, there were always at least five on the Supreme Court bench who were favorable to minimum wage legislation, except during the two years 1921–1923 when the District of Columbia case came up. This case took thirteen months to be decided; if it had been decided within three or four months, the usual length of time for cases, the law would have been validated since one judge who was favorable died in the meantime.

employers; that minimum wages do not directly affect the public health and morals and therefore should not come under the exception which permits legislative interference with freedom of contract.

Following this Supreme Court decision, six additional minimum wage laws were declared unconstitutional by various state courts, and most of the remaining laws became inoperative. Some of the state commissions ceased to enforce their orders; others sought voluntary compliance but were reluctant to prosecute violations for fear their laws would be entirely nullified.[8] In order to meet the Supreme Court's objection to compulsory cost of living wages, a number of states injected a new principle into their wage determination, namely, that wages shall not be "oppressive" and shall be a "reasonable and adequate compensation for the services rendered."

It was not this new concept[9] of what a minimum wage should signify that eventually determined its constitutionality, but a change in the spirit of the times and the personnel of the U. S. Supreme Court. In 1937 the Supreme Court sustained one of the earliest state laws (Washington) which was based on the cost of living principle.[10] In this decision the court ruled that the 1923 decision "was a departure from the true application of the principle governing the regulation of the state of the relationship of employer and employed," that minimum wage legislation was a proper exercise of the police powers of the state because it was in the social interest to maintain the welfare of women workers, and

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[8] Because of the "voluntary" feature of the Massachusetts law, that state's minimum wage commission was not affected by the Supreme Court decision. A state court, however, held unconstitutional the provision requiring a newspaper to publish the names of firms not paying minimum wage rates which the commission might submit. However, most of the newspapers in the state were willing to publish the names, so this decision had little actual effect upon the enforcement of the law.

[9] In 1936 the federal Supreme Court, in a case under the New York law which incorporated the principle of fair value for services rendered, declared that it could find no essential difference between the new statute and the one held unconstitutional in the Adkins case, and that "any measure that deprives employers and adult women of freedom to agree upon wages, leaving employers and men employees free to do so, is necessarily arbitrary." (*Morehead* v. *People ex rel. Tipaldo*, 298 U. S. 597.)

[10] *West Coast Hotel Co.* v. *Parrish*, 300 U. S. 391. This was also a five-to-four decision but in reverse to the 1923 and 1936 decisions.

that it did not violate liberty of contract except as is required to protect the health, safety, morals, and welfare of the people.

Coverage of Existing Laws

The Supreme Court's validation of the principle of minimum wage legislation encouraged a number of states to enact laws and put new life into old laws which had become moribund. The Massa-

FIG. 26. *States Without Minimum Wage Laws in 1950.*

chusetts commission, for example, was empowered to issue mandatory orders instead of relying solely upon the publication of names of employers for enforcement. In 1950 there were thirty minimum wage laws on the statute books—twenty-six states and the District of Columbia, Alaska, Hawaii, and Puerto Rico. (See Fig. 26.)

The New York, Massachusetts, New Hampshire, Connecticut, Rhode Island, Puerto Rico, and Hawaii acts apply to men as well as women. Most of the laws cover all minors, but the Arkansas, Louisiana, Nevada, and South Dakota acts do not cover male minors. A "minor" is defined variously as all persons under 18 years of age, or all under 21 years of age, or girls under 21 and boys under 18, or vice versa. All the laws allow the payment of

less than the established minima to "any woman or minor, including a learner or apprentice, whose earning capacity is impaired by age or physical or mental deficiency or injury." Each case, however, must be approved by the proper licensing authorities.

The existing laws are broad in their coverage of industries; most of them are all-inclusive, but there are a few listed exceptions such as agriculture and domestic service. The Wisconsin and Alaska laws cover all occupations; at the other extreme is the Maine law, which applies only to fish packing. In effect, since the federal Fair Labor Standards Act establishes rates for all interstate industries, state minimum wage legislation is primarily useful in nonmanufacturing industries such as retail trade, laundries and dry cleaning, hospitals, hotels and restaurants, beauty parlors, and canneries.

Procedures for Minimum Rate Determination

All but a few of the existing minimum wage laws provide for the determination of wage rates by conferences or wage boards appointed to study the various industries and make recommendations to the state agencies authorized to fix minimum wages and issue orders. In Nevada, South Dakota, Arkansas, Alaska, and Hawaii, however, the minimum wages to be paid were determined by the legislatures and are specified in the laws. Rates fixed by law are much less flexible than those established by commissioners, for the latter can readily be changed as prices and other conditions change. Also, where the rates are incorporated in the law there is usually no commission established to see that the law is enforced. Elsewhere, the commission that determines the rate is also responsible for the administration of the law. Under most of the commission-administered laws the minimum wage is determined for each industry separately, although orders have been issued in some states for a wide coverage of industries. Three states—Kentucky, Minnesota, and Wisconsin—have issued blanket orders intended to apply to all industries, as well as separate orders for certain industries. Both Massachusetts and New Hampshire amended their laws in 1949 to establish statutory rates in addition to retaining existing wage-board provisions.

There are two very important differences with respect to the

bases for determining the minimum rates, namely, whether or not the cost of living is the sole factor taken into consideration; also whether *hourly* or *weekly* rates are to be established. About half the laws provide that the cost of living shall be the basis for determining the minimum rates. In general, these specify a wage "adequate to supply necessary cost of proper living and to maintain health and welfare"; some add "to protect morals and efficiency and to cover necessary comforts." But almost as many of the laws specify another criterion, namely, a wage commensurate with the value of the service performed. Typically, they provide that the wage shall be "sufficient to meet the cost of living necessary for health, and fairly and reasonably commensurate with the value of service or class of service rendered. In determining the minimum fair wage, the commission or wage board shall consider the minimum cost of living, and wages paid in the State for like or comparable work by employers voluntarily maintaining minimum fair wage standards."

The Rhode Island law, as well as the Puerto Rican, includes the financial condition of industry as a criterion. In actual practice, even though the laws do not so specify, the state wage boards take into consideration the ability of the industry to pay a given wage, for in most cases the rates which have been established are equivalent to those already in effect in some or even a majority of firms. In considering cost of living, the wage commissions base their orders upon the needs of self-supporting women without dependents,[11] but few of the existing rates could be considered sufficient to provide a "comfortable" standard of living.

Some of the more recent wage orders are not restricted to minimum rates on a straight hourly basis but also take into account the many subsidiary factors that affect a worker's wages, such as irregularity of employment, detrimental labor practices, and long hours of work. One such type of regulation provides that an employer who requires the worker to wear a uniform while on duty must furnish the uniform and must either bear the expense of

[11] In 1942 a Minnesota employer contended that the State minimum wage law did not apply to a married woman partly supported by her husband and intermittently employed, but the State Supreme Court held that the law applies equally to married or single women fully or intermittently employed.

laundering it or compensate the worker for doing so by paying an additional weekly sum. The evil of long overall working hours occasioned by the split-shift arrangement has been mitigated by the requirement of a higher rate of pay on days when it occurs.

Guaranteed Weekly Minimum Wage

Several methods to counteract underemployment have been devised. One of these is the requirement of a higher hourly rate of pay for part-time workers. Another is the establishment of a basic minimum wage rate on a weekly basis so that the worker who is employed for less than the maximum legal work week will nevertheless receive a week's wages. "Guaranteed weekly wage provisions," as minimum wage rates established on a weekly basis are termed, have taken several forms. Some state orders require the weekly minimum wage to be paid for any work done during the week, irrespective of the number of hours. Under other orders, the weekly wage must be paid if work is performed on a certain number of days. Encouragement was given to the principle of the "guaranteed weekly wage" when the highest court of the State of New York in 1942 upheld a wage order which established a rate fixed on a weekly basis, even though only part of a week was worked. The decision stated:

> . . . It is fairly to be assumed that the legislature, bent on seeing to it that women and minors should, so far as possible, receive subsistence wages for their work, appreciated that no hourly rate of wages could achieve that result unless it were multiplied by some appropriate number of hours. . . . The legislature, driving toward its plainly marked goal, would have stopped far short of that goal if it had provided for minimum hourly wages only. The accomplishment of its high social purpose required a grant of authority to the Labor Department to make such orders as would in fact be directed toward providing a living wage, not merely an hourly rate which, in most industries, would not produce a living income, unless ordered paid for a sufficient minimum number of hours.[12]

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[12] *Mary Lincoln Candies, Inc.*, v. *Department of Labor of the State of New York*, 45 N.E. (2d) 434, December 3, 1942. The wage order in this case was for the confectionery industry; in addition to providing for a minimum wage of $14 for a full 40-hour week, it required employers to pay $10 to employees working three days or less in any week during the busy season and $7 to employees working two days or less in any week during the slack season.

EQUAL PAY FOR EQUAL WORK FOR WOMEN

State minimum wage laws, as their name indicates, are designed to provide women with wage rates which will cover the costs of the barest necessities of day-to-day living. They are premised on two major distinctions between women and men workers: first, that women, or at least certain classes of women, are less able than men to bargain for adequate wages and therefore need the assistance of the government; second, that the rates established under these laws shall be based on the cost of living for a single individual, thus assuming that women have no dependents to support.[13] The philosophy underlying minimum wage laws for women is one of social welfare rather than individual justice or equity.

Another type of legislation—that prohibiting discrimination in pay because of sex—approaches the problem of wages from the standpoint of compensation for work performance and equity between groups or classes of workers, rather than of wages as a social obligation. Legislation providing equal pay for equal work removes the question of wages from one of *need* to one of *rights*. Since such laws are directed toward seeing that women secure the same pay as men when performing the same kind of work, they also assume that women's bargaining power is unequal to that of men; hence the government must intervene in order that justice shall prevail. Unlike minimum wage laws, however, their purpose is not to establish rates *per se* but to establish the principle of equality of rates between men and women; to substitute *job* rates for rates based on sex, and to require that wages, whatever they are, be based on job content rather than on who is doing the job.

In 1950 twelve states and Alaska had laws which prohibit discrimination in rate of pay because of sex.[14] Several are limited to

[13] According to numerous studies made by the Women's Bureau of the U. S. Department of Labor, about 10 percent of the women wage earners in this country are the sole support of families of two or more persons, and approximately 50 percent contribute to the support of dependents.

[14] The states and the year in which the laws were enacted are: Michigan (1919), Montana (1919), Washington (1943), Illinois (1943), New York (1944), Massachusetts (1945), Rhode Island (1946), New Hampshire (1947), Pennsylvania (1947), California (1949), Connecticut (1949), Maine (1949), Alaska (1949). The U. S. Civil Service Classification Act of 1923 definitely established the principle that federal jobs were to be paid on the basis of job

manufacturing employment and others exclude domestic and agricultural occupations. Typically they read: "Any employer in this State, employing both males and females, who shall discriminate in any way in the payment of wages as between sexes, or who shall pay any female a less wage, be it time or piece work, or salary, than is being paid to males similarly employed, or in any employment formerly performed by males, shall be guilty of a misdemeanor. . . . A differential in wages between employees based in good faith on a factor or factors other than sex shall not constitute discrimination within the meaning of this act."

The enforcement of equal pay laws entails some peculiar difficulties. The administration of a minimum wage law, after the rate is once determined, is simply a matter of policing to see that no one is paid less than the specified rate, and this can be done very largely by examining employer pay-roll records. The crux of enforcing an equal pay law, on the other hand, lies in determining the comparability of work performed by men and women. Job titles on the pay-roll records may or may not indicate real differences in job content; hence the jobs themselves must be analyzed to determine their essential elements. Furthermore, there is the question of the meaning of "equal" or "similar." Suppose that a man and a woman are engaged on work which is exactly similar for the major portion of the day, but that during the day the man is required to do some heavy lifting while the woman is engaged on some light but perhaps more skillful operation. Is this "similar" work because it is identical a major portion of the day? Should the light but more skillful operation of the woman offset the heavy operation performed by the man? Suppose their work is identical throughout the day, but compliance with a state law or a union contract enables the woman to enjoy several rest periods with pay. Should this be ignored in determining equal pay rates?

These slight variations are "factors" in the job situation which can be interpreted to exclude many jobs held by women from coverage under the laws as presently worded. Those who are responsible for enforcing equal pay laws contend that the vague

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elements without regard to sex. The British civil service, on the other hand, maintains a dual wage system, that is, a rate for men and a rate for women on the same job. The National War Labor Board accepted the principle of equal pay for women in their wage awards.

term "factor or factors" should be deleted and that the laws would better fulfill their purpose if they were worded to read: "An employer shall pay wages at the same rate to all his employees, regardless of sex, who perform work of similar type, skill, productivity and quality. Nothing herein contained shall be construed to prevent the payment of wages pursuant to established practices of seniority or merit increases, applicable to both sexes alike."

Job analysis and evaluation pose many difficult problems, as has been brought out in an earlier chapter; and an equal pay law provides no automatic assurance that rates within any given plant will be based on job characteristics alone, and that traditional discriminatory practices will be eliminated. Nevertheless, equal pay laws establish a goal or standard and provide the means for removing some of the more obvious inequalities.

STATE WAGE COLLECTION LAWS

State governments have been concerned not only with rates of wages but also with providing workers assurance of the full benefits of the wages which they have earned. Wage collection laws are directed toward seeing that wage earners receive the full and exact amounts of money which are due them, and that their wages are paid at intervals convenient to their welfare and in a form which permits the free use of their earnings as an instrument of purchase. In order that employees may know of their legal rights, most states require employers to keep posted in conspicuous places a notice specifying the regular payday and the time and place of payment.

Legal Claims to Wages Earned

The natural presumption under a contract of employment is that wages will be paid at the time agreed upon, with final settlement at the termination of employment. No one questions a worker's right to the wages he earns, and yet for thousands of workers payday comes and goes, leaving them empty-handed. They find, too late, that their employers were financially irresponsible or careless or perhaps downright dishonest. Practically every state has passed some kind of wage collection law to protect workers against employers who fail to pay wages regularly, or who do not

pay in full, or who do not pay at all. Not all of these laws are equally effective, but under the best of them tens of thousands of wage claims are collected each year, adding up to several million dollars.

The right of workmen to a prior claim to the results of their labors has long been recognized. The common law grants a lien on employers' property enforceable by sale, from the returns of which the charges of the workmen are to be paid. Practically every state has a statute defining and enforcing this right. The liens for payment of wages are given priority over other claims; and if the employer has died, become bankrupt, or otherwise is disqualified, executors as well as receivers of his estate are subject to service for such preferred claims. Subsequent to claims of the government and to the costs of administration or preservation of the estate, wage liens have preference over ordinary debts.

A major function of many state labor departments is to collect wage claims for workers and thus make it unnecessary for them to go to the expense of engaging lawyers. The procedure for the actual payment of the claim varies. Some labor departments require the employer to pay the claim to the commissioner of labor, who in turn issues a check to the complainant. This is generally recognized as the safest and surest method because, if any difficulty develops over the solvency of the employer or the validity of the check, the employer is dealing with an agency of the state and not with an individual employee who may be too timid to protest. Some labor departments permit payment directly to the worker in the presence of a representative of the department, who secures the worker's receipt and files it with the docket of the case. If the commissioner decides that legal action is necessary for collection, and if the state law gives him authority, he will enter suit on behalf of the worker. If he decides that provisions of the law regulating wage payment have been violated, he will exercise his authority to enforce the law.

Wage Assignments

By necessity, families with low incomes live from "hand to mouth," and many of them are compelled (or persuaded by merchants) to buy their furniture, clothes, and other costly items on an installment basis. Also, when faced with unexpected or abnor-

mal expenses, such as medical costs for a prolonged sickness or operation, they have no savings with which to pay their bills. In order to obtain payment, creditors may ask the courts to attach their wages by serving garnishee notices to their employers to withhold wages already due or to be earned in the future. The money is then assigned to the courts, which turn it over to the creditors.

Restrictions or prohibitions on the assignment of wages, particularly of wages not yet earned, are contained in the laws of a number of states. Outright prohibition of assignment has been challenged on the ground of its alleged infringement of property rights, but some courts have upheld the prohibition of wage assignments as a desirable safeguard for those dependent upon wages for support, and as a protection from oppression, extortion, fraud, and the consequences of a worker's weakness, folly, or improvidence. A very common protective provision is an exemption of a certain amount or percentage of the employee's wages from garnishment in order to secure to those dependent upon these wages a means of support. For example, some laws provide that the amount garnisheed may not exceed 10 percent of an employee's wages; others exempt 75 percent, with a further stipulation that the exemption shall not be less than a given sum, such as $50.

Kickback Laws

Kickback is the return or withholding of a portion of an employee's wages by his employer or foreman upon threat of losing his job or as a bribe for obtaining a job. While instances of kickbacks have existed in manufacturing, mining, and other industries where foremen or "straw bosses" have demanded payments from workers as the price of employment, the practice has been most prevalent on public construction as a means of circumventing wage laws. It is especially easy for contractors to demand kickbacks during times of depression when jobs are scarce and workers are fearful that what little income they are receiving may be taken from them.

Several states as well as the federal government have taken cognizance of the kickback evil by making it a misdemeanor and subject to heavy fines. The federal law, enacted in 1934, applies to employment financed in whole or in part by federal funds. Typi-

cal of the state laws are those of New Jersey and New York which provide:

> Whenever an agreement for the performance of personal service requires that workmen engaged in its performance shall be paid the prevailing rate of wages, it shall be unlawful for any person, either for himself or any other person, to request, demand, or receive, either before or after such workman is engaged, that such workman pay back, return, donate, contribute, or give any part or all of such workman's wages, salary, or thing of value, to any person, upon the statement, representation, or understanding that failure to comply with such request or demand will prevent such workman from procuring or retaining employment. The violation of the provisions of this section shall constitute a misdemeanor; and any person who directly or indirectly aids, requests, or authorizes any person to violate any of the provisions of this section shall be guilty of a violation of the provisions thereof.

In a decision upholding the kickback law, a New York court emphasized that such a law protects the workman as well as the employers who are conducting their operations in an ethical manner with fairness and justice to their employees, because it insures parity of labor cost and thus establishes competitive equality on one of the basic calculations for those engaging the same classifications of labor.

Frequency of Pay Periods

The frequency of the payment of wages is usually determined by the contract of employment or by custom. In the United States, however, nearly all the states have enacted legislation requiring the payment of wages at some specified time—weekly, monthly, or semimonthly. Many of the early laws applied only to certain corporations or occupations, such as mining, quarrying, manufacturing, or transportation. While this type of law still exists, the tendency in recent years has been for such statutes to apply either to all occupations or to all corporations doing business in the state. But like so many types of labor laws, the laws pertaining to the frequency of pay periods usually exclude domestic and agricultural employment.

The majority of the states specify that wages shall be paid at least semimonthly. Only two jurisdictions (Alaska and Oregon) have provided that wages must be paid at least once a month; all

the New England States, New York, and Puerto Rico require pay periods not to exceed one week. Textile employees in South Carolina are required to be paid weekly on the premises during working hours. In only four jurisdictions (the District of Columbia, Florida, Idaho, and Washington) are there no requirements for the payment of wages at specified intervals.

In order to give the employer time to make up his pay roll, many of the laws permit a "holdover" period, some as long as 15 or 18 days. Such long "holdovers" mean that new employees are not paid for two or three weeks after starting work and that all the employees are always several weeks behind in their wage receipts. When an employee voluntarily quits his job, it is generally assumed, and sometimes stated in the statutes, that his unpaid wages do not become due until the next regular payday. Several state laws, however, require all wages due an individual who quits his job to be paid within a given time; the specified periods range from one to ten days. Some specify immediate payment if the employee has given several days' notice of his intention to quit. Requirements are much stricter in cases of discharge. A majority of the state laws require employers to pay all wages due the employee at the time and place of discharge, but a few allow the employer three or five days.

Although the provisions of the laws regulating the time of wage payment are fairly uniform, the decisions of the courts rest on such various grounds that no generalization can be made as to the degree of regulation which will be allowed. However, nearly all the court decisions were rendered years ago, and since that time many states have enacted laws the constitutionality of which has not been successfully challenged. Even in the states in which manifest declarations of unconstitutionality have been made, legislative action indicates a purpose to regulate the payment of wages, and in some instances constitutional amendments have been adopted for this purpose.

Payment in Scrip

The use of scrip, tokens, or orders in lieu of currency for the payment of wages is generally equivalent to a 10 or 20 percent reduction in income. If the scrip is redeemed at an independent store, the store usually demands a substantial discount. When

scrip is paid, however, it is usually associated with company stores and there is ample proof that the prices charged by such stores are substantially higher than those of independent stores. Both payment by scrip and company stores have been most frequently found in isolated types of employment such as mining and lumbering, and at railroad terminals and construction projects which are distant from urban centers.

At least 33 states now have laws governing the issuance of scrip; 16 of these states also have legislation making it unlawful to compel an employee to purchase at any particular store, and five states have provisions regulating the prices which may be charged for goods sold in company stores. (It must be remembered, however, that no laws are self-enforcing; those dealing with prices are especially ineffective if there is not vigorous and constant inspection.) The better type of laws read as follows:

> No employer shall issue in payment of wages due, or to become due, or as an advance on wages to be earned (a) any order, check, draft, note, memorandum, or other acknowledgement of indebtedness, unless it is negotiable and payable in cash, on demand, without discount, at some established place of business in the state. (b) Any scrip, coupon, cards, or other thing redeemable in merchandise, or purporting to be payable or redeemable otherwise than in money.
>
> No employer, or agent thereof, shall compel or coerce any employee, or applicant for employment, to patronize his employer, or any other person, in the purchase of any thing of value.

FEDERAL REGULATION OF WAGES[15]

Traditionally, the federal government as a direct employer of labor has adhered to the principle of paying the "going" rate for similar work paid by private employers in the community in which the work was done. As a purchaser of goods and services, however, it is only within recent years that the government has accepted this principle. Formerly, it purchased goods and services on a competitive bid basis, regardless of the wages or working conditions of those employed by the manufacturer or contractor. In

[15] Omitted from this discussion is the legislation pertaining to particular classes of workers, such as the establishment of wages under the Merchant Marine Act of 1936.

1931 the federal government first recognized a responsibility for wages paid on public works done through private contractors, and five years later legislation was enacted to cover employees engaged in the manufacture of products purchased by the government.

Wages of Government Mechanics and Laborers

The principle that the wages for mechanical and laboring employees of the federal government shall conform to the rates for similar work prevailing in private industry in the locality was recognized by Congress as long ago as 1862, when legislation was enacted which applied this principle to government navy yards. Since then it has been extended to similar positions in the Bureau of the Mint, Bureau of Engraving and Printing, Government Printing Office, Post Office Department, and other agencies which directly employ mechanics and laborers not covered by statutory classifications and rates under the Civil Service regulations.

In general, these government agencies have used three methods for determining specific rates: wage board procedures, administrative procedures, and collective bargaining. Under all three procedures wage surveys in the local areas are made, but from that point the methods differ in the degree to which the employees themselves, or their representatives, participate in the process of rate determination. Administrative procedures provide for the smallest degree of employee participation, since there is no formal method by which employees may offer information or protest proposed rates, prior to the promulgation of the rate schedule. The situation is quite different under the wage board procedures. These provide for public hearings prior to rate determination in order to afford employees an opportunity to introduce additional wage data or other factual materials; they also permit public hearings for appeals from proposed rates. In some instances the wage boards are composed entirely of administrative employees of the agency concerned; in other instances public or union representatives are also members.

The collective bargaining process goes furthest in the matter of employee participation, but at present this method is used only by one federal agency, the Tennessee Valley Authority, although the Government Printing Office procedure approximates collective bargaining. Under the first plan, representatives of the Authority

meet once a year with the various employee unions operating through the Tennessee Valley Trades and Labor Council, and bargain on rates in accordance with those prevailing for comparable work in the area; the rates are then incorporated in a bilaterally signed agreement. In case agreement cannot be reached, the law requires that the disputed rate or rates be submitted to the Secretary of Labor for final decision. In the Government Printing Office, the rates for each of the crafts are negotiated between the Public Printer and committees representing the employees concerned, but the final determination is left to the Joint Committee on Printing (a congressional committee), and the rates established are not incorporated in bilaterally signed agreements.

Government Contract Work

In 1931 Congress passed the original Davis-Bacon Act, which covered all contracts in excess of $5000; in 1935 the law was amended to cover contracts in excess of $2000. The Act requires the payment of prevailing wage rates on all public buildings and public works, including road construction and federally aided hospital, airport, and housing projects. All laborers and mechanics employed directly upon the site of the work by either contractors or subcontractors are covered. Whenever wages are to be determined under the law, the Department of Labor requests all interested persons, including unions, employers' associations, and state labor departments, to submit information concerning the rate of wages paid on similar projects in the locality to the various classes of laborers and mechanics customarily employed on that type of work. The wage rates determined by the Department of Labor to be the prevailing rates are advertised in the specifications, are inserted in the contract, and must be posted at the site of work.

In the Public Contracts Act of 1936, known as the Walsh-Healey Act, Congress exercised its power to regulate conditions of employment when the federal government is the purchaser of the goods produced. Under this Act employees engaged on a government contract which exceeds $10,000 in value must be paid not less than the prevailing minimum wage in the industry and locality as determined by the Secretary of Labor. The Act covers all workers, except office and custodial, who are employed in or connected

with the manufacture, fabrication, assembling, handling, supervision, or shipment of materials, supplies, articles, or equipment under the contract. In many cases the wage standards provided under the Public Contracts Act extend beyond the employees immediately employed on government contract work. Because employers producing for the government are generally also producing for the open market, the public contracts wages are usually paid to all employees doing similar work within the plant. In fact, a regulation stipulates that when an employee works for any part of a day in a given pay-roll period on a government contract in an industry for which a wage determination has been issued, he is entitled to at least the determined minimum wage for all hours worked in that pay-roll period or work week.

Although the Davis-Bacon and Walsh-Healey Acts are similar so far as the principle of prevailing wages is concerned, there are differences in their provisions, in addition to the size of contract which determines their coverage. Unlike the Walsh-Healey Act, the Davis-Bacon Act contains no requirements regarding hours and overtime rates, working conditions, and child labor—subjects which are discussed in a later chapter. A laborer or mechanic is covered by the Davis-Bacon Act only if he is actually employed at the site of construction. A worker is covered by the Walsh-Healey Act if he is employed by the contractor, if he is employed by a manufacturer supplying materials directly to the government under a contract awarded to a dealer, or if he is employed by one manufacturer who is doing work required under a contract awarded to another manufacturer which in the normal course of business the contracting manufacturer would have done in his own plant. Thus, employees of subcontractors are subject to the Walsh-Healey provisions if the subcontract is for work which, under the usual practice of the industry involved, is not subcontracted.

The Davis-Bacon Act stipulates that the Secretary of Labor shall determine the hourly rates prevailing in the immediate neighborhood of the construction site for *each occupation* and that these shall be the minimum rates for the various classes of laborers and mechanics. Under the Walsh-Healey Act, the Secretary of Labor determines only the prevailing minimum rate for an industry, rather than for each of the various occupations; and in most

instances a single minimum rate is put into effect for an entire industry, regardless of where the goods are being produced.

Wage Regulation Under the National Industrial Recovery Act

The federal government's first and most extensive program for the regulation of wages in private industry was established under the National Industrial Recovery Act during 1933–1935, when most of the country's industries were subject to nation-wide labor standards. The NIRA was enacted for the express purpose of lifting the country out of a "national emergency of widespread unemployment and disorganization of industry." Its initial approach was "to increase the consumption of industrial and agricultural products by increasing the purchasing power," and the one way to accomplish this (in addition to providing more jobs, which was discussed in Chapter 7) was by increasing wage rates. In signing the bill, President Roosevelt said: "It represents a supreme effort to stabilize for all time the many factors which make for prosperity of the nation and the preservation of American standards. Its goal is the assurance of a reasonable profit to industry and a living wage for labor."

In order to accomplish these two purposes—a reasonable profit to industry and a living wage for labor—codes of fair competition were established for each industry; these provided, among other things, minimum rates of wages for the industry concerned. The wage provisions established by each code differed from the minimum rates provided by other laws, previously and later enacted, in two major respects: (1) The minimum rates were not always confined to the unskilled or any particular class of workers. (2) The minimum rates were not always uniform throughout the industry.

Although there were no legal restrictions against establishing rate structures to cover all classes of workers within the industry, less than 10 percent of the codes included minimum rates for labor above the unskilled class, and more than half of these covered various branches of the clothing industry. The most that was done to protect the wages of skilled workers in the majority of the codes was to write into the labor provisions a general statement that the existing wage differentials between occupational classes was to be maintained. The clauses of the codes devoted to this purpose took

many forms and did not necessarily insure equality of treatment as between codes, the terminology being so indefinite in certain cases as to permit varying interpretations. A common clause provided that "equitable adjustments" of pay schedules of employees paid above the minimum should be made. More satisfactory from the standpoint of enforcement and interpretation were the provisions whereby (1) employers were obligated to make adjustments of wages in the brackets above the code minimum so that existing differentials were maintained, and (2) wages might not be reduced, notwithstanding any reduction in the full-time working week.[16]

A number of the codes provided differential rates based upon one or more of the following: geographical area, size of locality, and sex. The definition of North and South varied considerably in the codes and led to much dissatisfaction, especially in borderline states such as Maryland, which was rated as a southern state in some codes and a northern state in others. A number of codes differentiated between eastern and western metropolitan areas, and several established one minimum rate for men and another for women. In general, the minimum rates established under the codes for unskilled men ranged from 30 cents to 40 cents an hour, the latter prevailing in over half the codes. Rates for women were about 5 cents less on the average, although most codes specified that when women did the same work as men they should receive equal pay.

Fair Labor Standards Act

After the Supreme Court in May, 1935, declared the codes of fair competition under the NIRA to be unconstitutional,[17] Congress immediately enacted several laws which preserved and strengthened some of the labor features of the codes. Thus, the Bituminous Coal Act of 1937 was a direct application to a single industry of the "fair trade practice" idea of the NIRA;[18] the National Industrial Relations Act of 1935 was, in essence, an ex-

[16] See chap. 17 for the hour standards provided under the NIRA codes.

[17] *Schechter* v. *United States*, 295 U. S. 495 (1935).

[18] While the Bituminous Coal Act did not include specific labor provisions, it set forth the policy of the right of collective bargaining and gave the Commission established under the Act the power to determine minimum and maximum coal prices, thus indirectly assisting workers to improve their wages. The Act expired in 1943.

pansion of Section 7a of the NIRA; and the minimum wage and maximum hour concepts of the NIRA were carried over into the Public Contracts Act of 1936 and the Fair Labor Standards Act of 1938.

The declared purpose of the Fair Labor Standards Act is to correct and eliminate labor conditions that are detrimental to the maintenance of the minimum standard of living necessary for the health, efficiency, and general well-being of workers, without substantially curtailing employment or earning power. The wage clauses of the original Act provided for a progressive and automatic raising of minimum rates from the initial 25 cents an hour to 40 cents an hour in 1945 for all employees, with specified exceptions, engaged in interstate commerce or in the production of goods for interstate commerce. Also there was provision for stepping up the rates industry by industry through administrative action. During the six-year interval between 1939 and 1945 the Administrator of the Act was empowered to appoint a tripartite committee (representatives of employers, employees, and the public) for each industry which could recommend—and the Administrator could then establish—a minimum wage not to exceed 40 cents an hour for the entire industry. Largely because of war conditions, the 40 cent minimum was thereby established for all the covered industries long before the effective date for the general automatic increase to that amount.

1949 Amendments

Rising prices following the close of the war caused general dissatisfaction with the 40 cent minimum. Also there was a good deal of agitation to extend the coverage of the law to include industrial farming, food processing and other low-paid workers not included in the 1938 Act. In 1949 the minimum rate was increased to 75 cents an hour. It was estimated that this change in the minimum resulted in direct wage increases to approximately 1½ million workers who were receiving less than this amount when the new law went into effect.

Instead of extending coverage, however, the new law reduced the number of workers benefiting by the legal minimum rate. The original Wages and Hours Law had defined production of goods for interstate commerce to include *any occupation necessary to*

the production. By administrative ruling, sustained by the courts, this had been interpreted to include all employees in plants, maintenance as well as production workers, and employees of plants only a small part of whose product moved across state lines. The new law defines production of goods for interstate commerce to include any *closely related process or occupation directly essential to the production.* The final effect of this redefinition will depend upon a long series of administrative and court interpretations. The 1949 law also reduces coverage by increasing the specified exemptions. In addition to agricultural employees, seamen, and other groups excluded in the 1938 Act, the new law exempts retail and service establishments, including laundries, if 50 percent or more of their business is intrastate, and also small lumber mills, telephone exchanges, newspaper offices, and others.

WARTIME REGULATION OF WAGES

Remembering the serious inflation which took place during World War I and its accompanying postwar collapse, the Administration undertook vigorous measures to control prices during World War II. Incorporated in the general stabilization program were regulations pertaining to changes in wage rates. During its first months of existence the National War Labor Board had no authority over wage adjustments voluntarily agreed upon by employers and employees. By spring of 1942 general wage increases had been secured by workers in most industries, and prices had advanced. To counteract this trend, the President in April, 1942, outlined a seven-point stabilization program which stated that "wages in general can and should be kept at existing levels," with "due consideration to inequalities and the elimination of substandards of living."[19] It was under this rule that the National War Labor Board decided the Steel case,[20] afterward called the "Little Steel" formula, namely, a 15 percent allowable increase in wages

[19] The "points" in addition to wages included the levying of heavy taxes and the foregoing of high profits, industrial and agricultural price ceilings, rent control, purchase of War Bonds, rationing of all scarce commodities, control of credit and of installment buying.

[20] *In re Bethlehem Steel Corporation, Republic Steel Corporation, Youngstown Sheet and Tube Co., Inland Steel Co., and United Steelworkers of America (C.I.O.)*, 1 WLB 325.

to cover the rise in the cost of living up to May, 1942, at which point wages were to be frozen.

In spite of the measures taken under the President's seven-point program, the cost of living, and particularly the cost of food, continued to rise and numerous wage increases were voluntarily made by employers. In October, 1942, Congress passed the Stabilization Act which authorized the President to issue a general order stabilizing prices, wages, and salaries. Thereafter no increases (or decreases) in wage rates were allowed without the approval of the National War Labor Board and the Board allowed only such increases as were "necessary to correct maladjustments or inequalities, to eliminate substandards of living, to correct gross inequities or to aid in the effective prosecution of the war."

The cost of living and hourly earnings, however, continued slowly to rise. In April, 1943, the President issued the so-called "hold-the-line" order which incorporated the "Little Steel" formula and forbade the Board from making any further wage adjustments except to correct substandards of living. From the spring of 1943 until the defeat of Japan, there were no changes in the wage stabilization policies except that employers were permitted to establish minimum rates as high as 50 cents an hour without prior approval from the Board.

Throughout the war, organized labor strenuously objected to the wage ceilings imposed by the "Little Steel" formula on the grounds that consumers' prices were not being controlled as rigidly as wages. This was true so far as hourly wage rates were concerned. But average weekly earnings, as a result of overtime, shift premiums, and upgrading of workers, advanced more than the cost of living.[21] These wartime factors disappeared on V-J Day and the government was faced with the alternative of (1) returning to a basic wage structure which in terms of real wages was lower than had existed before the war, or (2) allowing a higher level of wage rates in keeping with the higher price levels. On the assumption that the profit position of industry as a whole was sufficiently high to absorb some increase in wages without price

[21] Average weekly earnings for manufacturing workers were 70 percent higher in the summer of 1945 than in January, 1941. Prices of consumers' goods in large cities had increased slightly more than 80 percent by the end of the war. (See Fig. 20.)

advances, wage controls were lifted a few days after the defeat of Japan, and employers were permitted to grant increases so long as they did not result in price increases.

The unions immediately inaugurated a vigorous campaign for higher wages. The government fact-finding boards, which were established to investigate a number of the major disputes, recommended slightly more than half of the 30 percent increase which the unions demanded. But employers were insistent that they could not grant even the compromise amounts without price adjustments. As a result of the stalemate, which caused prolonged and widespread strikes "serious enough to threaten our economy with almost complete paralysis,"[22] the Wage Stabilization Board was reëstablished in February, 1946, and employers were permitted to request price adjustments to cover wage increases. The entire price control program was virtually abandoned when Congress refused to extend the existing Office of Price Administration in July, 1946, although the Wage Stabilization Board was not formally abolished until the following winter.

As far from perfect as it was, there is no doubt that the war stabilization program kept prices and wage rates from rising to disastrous levels which would inevitably have resulted in economic collapse. But the experience revealed a very practical lesson in the difficulties involved in any attempt to control price and wage levels in a free, democratic economy.

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CHAPTER 16

HOURS OF WORK

THE TWO MOST IMPORTANT WAYS IN WHICH WORKERS ARE ABLE TO receive benefits from technological advancement are increased "real" wages and reduction in hours of work. The level of wages and the length of working hours prevailing in any country are a measure of its workers' standard of living and an indicator of its industrial and political development. Without the aid of power machinery, the great mass of people must not only subsist on the bare essentials, but spend most of their waking hours eking out their meager subsistence. Without the benefit of democratic participation in their country's government, workers are deprived of the means of obtaining their share of the comforts and leisure resulting from the use of labor-saving machinery.

Reduction in hours of work can take various forms. Annual vacations and holidays without loss of pay, discussed in an earlier chapter, represent one variant of reduced work schedules. The weekly work time can be shortened by a reduction in either the days per week or the hours per day worked. The religious heritage of Europe and the western hemisphere has caused Sunday to be considered a day of rest throughout most of the Christian era, and in many countries there are also numerous other religious holidays on which no work is done.[1]

[1] The Christian Sunday is a development of the Hebrew Sabbath, whose origins lie in antiquity. (*Shabbath* means rest.) The Roman emperor Constantine enjoined a Sunday rest from labor in 321 A.D., and during medieval times fines were imposed upon laborers who worked on Sundays. However, Sunday as a day of rest has not always been strictly observed. In continental Europe it has been customary for retail and service shops and even manufacturing plants to remain open on Sundays. In 15th- and 16th-century England, Sundays and religious holidays were quite generally ignored, but in 1677 the Sunday Observance Act was enacted which forbade all "tradesmen, artificers, labourers, or other person whatsoever" from carrying on their usual businesses under penalty of fine. In this country the influence of the Puritan movement caused a virtual cessation of all forms of employment on Sunday, and practi-

With one day of rest in seven provided for most industrial workers in this country, the movement for shortening the work schedules was for many years confined to obtaining a reduction in the daily hours of work. It was not until the 1920's that serious consideration was given to reducing the number of workdays per week.

HOURS OF WORK IN EARLIER TIMES

During the Middle Ages, primitive lighting arrangements and the danger of fire limited the workday to daylight hours, and in many cities night work was officially prohibited. The eight-hour day was more or less customary for tradesmen, and according to some authorities was required under the rules of most of the gilds. Legend attributes to King Alfred the Great the saying "Eight hours' work, eight hours' sleep, eight hours' play, make a just and healthy day." As centralized governments dominated by landholders became more powerful, decrees were enacted to lengthen the workday. During the 15th and 16th centuries England passed a number of laws specifying that during the summer all laborers must work from 5 A.M. to 8 P.M., with two hours for meals and rest. By the end of the 17th century, the hours of craftsmen had been extended, but except for agricultural labor during the growing season, the workday was seldom longer than ten hours.

The introduction of power machinery toward the end of the 18th century proved to be more of a curse than a blessing for many workers. Instead of labor-saving machinery reducing their hours of labor, the workdays were lengthened. Instead of bringing comfort and leisure to their families, women and children were forced to labor long hours in unsanitary factories and mines. Hours were longer than under handicraft production because em-

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cally all states now have laws restricting various kinds of employment on that day.

Communist Russia has made a number of experiments with the length of the work week. As a means of breaking traditional religious practices and giving workers more rest days, the six-day week was substituted for the seven-day week early in the regime. In 1929, in order to keep plants in continuous operation, the five-day week was introduced; it consisted of four days of work and one day of rest, with rotation of rest days. In 1931 the six-day week was re-established (five days' work and one rest day) and during World War II the traditional seven-day week was resumed.

ployers insisted that when they invested money in machines, the machines must be kept working as long as possible, and since the work was purely mechanical the last hour of the day was as valuable as the first. Because the operation of the machines required little or no skill, children as young as six or seven years of age could attend them; in the textile industries especially, the labor of children and women was preferred to that of adult males.[2]

During the early 1800's the factory hours in Great Britain, the only industrialized country at that time, were as long as 19 and 20 a day and 90 to 100 a week. In 1842 the working day in English mines was 14 to 15 hours, not only for men but for women and children who were used in hauling coal. Obviously no human being could withstand such work hours for long; but the supply of labor was plentiful and employers were not concerned with child mortality or premature physical breakdowns.[3] People interested in the national welfare, however, became concerned about the effects of long hours of labor, and between 1802 and 1832 Parliament enacted legislation prohibiting night work by children and restricting their hours to 12 actual working hours a day. In 1848 a 10-hour day was legally established in England for all industrial labor.

When power looms and improved spinning machinery changed textile manufacturing in the United States from a domestic to a factory industry, long hours and child labor became as prevalent as in England. The use of women and children was looked upon as an unqualified good which made possible the development of manufacturing without taking men from agriculture. According to Alexander Hamilton, it made women and children "more useful

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[2] Said the man who first applied power to the weaving of woolen cloth in this country: "The saving in operating 60 looms by water instead of the old way, by hand, amounted to about $40 per day. Besides this saving, we got rid of 60 weavers, the most of them men who in those bygone days were intemperate and exceedingly troublesome, and substituted for them 30 girls, who were easily managed and did more and better work." (Manuscript diary of Joshua Aubin, quoted in Bureau of Labor Statistics, *History of Wages in the U. S. from Colonial Times,* Bulletin No. 604, p. 86.)

[3] The cotton factories in the Lancaster and Yorkshire districts were worked largely by pauper children from London and other towns who were brought in in cartloads. The atrocities visited upon these boys and girls, housed in horribly overcrowded and unsanitary dormitories and literally driven to death in the mills, form one of the darkest chapters in the history of childhood.

than they otherwise would be" and enabled them to escape the evils of idleness and destitution.[4] Children as young as seven years of age were employed in American textile mills; in 1832 at least two-fifths of all persons working in New England factories were between seven and sixteen years of age; they worked never less than 10, seldom less than 12, and often 14 or 15 hours per day.[5]

In 1840 the normal work week in Massachusetts textile mills was 84 hours; two years later this was reduced to 78 hours for women and, by legislation, to 60 hours for children under twelve years of age. Men continued on the 84-hour schedule until 1850, when their time was also shortened to 72 hours. During the 1850's the 66-hour week was adopted for women in the New England textile mills, although 72 hours prevailed in New York mills until 1867 and in Carolina mills as late as the 1880's. In other occupations, even among the skilled trades, the hours were equally long. Many printers and machinists worked 14 hours a day, 84 hours a week, until almost the middle of the 19th century. The work schedule for most bakers was 12 to 14 hours a day, seven days a week. Building tradesmen worked from sunup until sundown, which meant long hours during the summer months but shorter hours during the winter.

A HUNDRED YEARS' CAMPAIGN FOR SHORTER HOURS

Long hours of work were not endured without protest. As early as 1791 some Philadelphia carpenters went on strike for a 10-hour

[4] *Report on Manufactures,* 1791, p. 29; quoted in Bureau of Labor Statistics, *History of Wages,* p. 85.

[5] Many of the New England textile manufacturers maintained company boarding houses for their "mill girls," who lived under a rigorous paternalism which controlled working conditions and "not only regulated the dwelling places and food of their operatives but dictated the time of going to bed and the rules of social intercourse. . . . In one of the early factory tracts, issued by the Female Labor Reform Association of Lowell, complaint is made of the wearisome extent of corporation control. At the close of the day's work, the operative was said to be watched to see that her footsteps did not 'drag beyond the corporation limits' and whether she wished it or not she was subjected to the manifold inconveniences of a large crowded boarding house where, too, it was said that the price paid for her accommodation was so utterly insufficient that it would not insure to her the common comforts of life." (Bureau of Labor Statistics, *History of Wages,* p. 88.)

day. When they lost the strike, in retaliation they organized a cooperative and contracted for jobs 25 percent below the current rate established by the master carpenters.[6] In 1822 the journeymen millwrights and machinists of Philadelphia "met at a tavern, and passed resolutions that ten hours of labor were enough for one day, and that work ought to begin at 6 A.M. and end at 6 P.M. with an hour for breakfast and one for dinner."[7] Two years later "female weavers" struck with men contract workers in Pawtucket, Rhode Island, to resist an increase in hours; this was the first known strike in this country in which women participated.[8] A year later there was a general strike of Boston carpenters for a 10-hour day, and in 1828 textile workers in Paterson, New Jersey, Philadelphia, and Boston went on strike in protest against long hours and low pay.

In 1835 the carpenters, masons, and stonecutters of Boston joined in a strike for a 10-hour day which won sympathy among workers throughout the country. Trade unions from various cities sent them money and passed resolutions to stand by the "Boston House Wrights" who, "in imitation of the noble and decided stand taken by their Revolutionary Fathers, have determined to throw off the shackles of more mercenary tyrants than theirs."[9] That same summer the Paterson textile workers demanded that their day be reduced to 10 hours, and in Philadelphia both building-trades mechanics and factory workers joined in a mass movement for a 10-hour day. It was reported in the newspapers at the time that groups of different crafts quit work, organized processions, and marched through the streets with fife and drum and flags. "Our streets and squares are crowded with an idle population. . . . Our buildings are at a stand-still and business generally is considerably impeded."[10] These demonstrations definitely turned the tide in favor of shorter hours. Several cities established the 10-hour

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[6] John R. Commons, and associates, *History of Labour in the United States,* The Macmillan Company, New York, 1918, vol. i, p. 110.

[7] John B. McMaster, *History of the People of the U. S.,* D. Appleton & Company, 1914, vol. v, p. 84.

[8] Bureau of Labor Statistics, *Strikes in the U. S., 1880–1936,* Bulletin No. 651, pp. 14 ff.

[9] Quoted in John R. Commons and associates, *History of Labour in the United States,* vol. i, p. 389, from *Pennsylvanian,* Philadelphia, July 31, 1835.

[10] Bureau of Labor Statistics, *Strikes in the U. S.,* p. 15.

day for public servants and a number of private employers were forced to follow.

The campaign for shorter hours, which was to last more than a hundred years, was on. First to be attacked was the prevailing "sun-to-sun" workday. After the 10-hour day was won, the fight continued for an 8-hour day and then a five-day week. But progress was by no means uniform throughout all the trades or areas of the country. Long after the 10-hour day had been gained in some trades, the 12- and 13-hour day persisted elsewhere. Thirty years after many of the organized journeymen craftsmen had gained a 48-hour week, many other workers were on a 60- or 65-hour or longer work week. Industry by industry, plant by plant, the struggle went on, with successive reductions from one plateau to another. Sometimes gains were not spread even throughout a single plant but were confined to particular groups of employees. One of the significant effects of craft union bargaining was the lack of uniform hour standards within a single company.

Unlike wage changes, which are generally in small units and take place at frequent intervals, changes in work schedules are seldom in smaller units than hours, and a change once made is effective for a period of years. By and large, the 10-hour campaign which began during the 1830's lasted until the middle of the 1890's. On its heels was a quarter century's struggle for the 8-hour day, then the 44-hour week, followed by the relatively sudden and general adoption of the 40-hour week.

Let us consider in more detail how these improvements in this very important phase of labor standards were brought about—the arguments used, the obstacles overcome, and the general economic environment in which they were put into effect.

Arguments Used

During the hundred-year campaign for shorter hours of work, many reasons were advanced to encourage and justify changes in work schedules. Some of the arguments used were purely economic; others were premised on human justice and social welfare. As circumstances changed, the grounds for shorter hours shifted; somewhat different arguments were used to get a reduction from the 48- to the 40-hour week than had been used to change the 72- and 80-hour week. In any particular instance, numerous reasons were

usually presented in order to assure both the employer and the public that the proposed reductions were practicable so far as business operations were concerned, as well as desirable from the standpoint of the workers.

During the time when the excessively long 14- and 15-hour day was in effect, the demand for shorter hours was based upon the workers' right to the enjoyment of some leisure and the need for time for civic activities. "Work from 'sun to sun' was held to be incompatible with citizenship, for it did not afford the workman the requisite leisure for the consideration of public questions, and therefore condemned him to an inferior position in the state."[11]

In the general movement for the 10-hour day the argument for leisure time for self-improvement and participation in civic affairs continued, but the effect of long hours upon health was also stressed. Statements from medical authorities were advanced citing the relation of fatigue to susceptibility to disease, accidents, and nervous exhaustion. Interested persons outside the labor movement, as well as labor itself, argued the point of general welfare by stressing the nation's interest in preserving the health of wage earners and maintaining a wholesome family life, possible only when the head of the family had some time to spend with his family. (As will be seen later, employers countered this last argument by saying that workers did not use their leisure profitably and that leisure for "the laboring class" endangered their morals and the public welfare.)

As technology advanced, economic reasons came to the fore, although the factor of nervous fatigue resulting from the use of rapid and complex machines was also mentioned. T. V. Powderly, Grand Master Workman of the Knights of Labor, compared factory work with office work as justification for the 8-hour day: "No one thinks of requiring the bank clerk to work ten hours or even eight. His mind could not stand the strain. The work of the future will be scientific in its nature and will call for more exercise of brain than of the hand. . . . No longer strength but skill is required and no man or woman can work as long at an occupation which requires skill as at one which calls for no experience of the mental process. . . . Brain work will soon be required in all call-

[11] Commons and associates, *History of Labour in the United States*, vol. i, p. 170.

ings and . . . the hours of labor should be reduced to the 8-hour standard."[12]

In its cruder form, the economic basis for shorter hours assumed a share-the-work-argument, namely, if hours were reduced more jobs would be available.[13] When this argument was originally used, organized labor was willing to accept reduced hours with a commensurate cut in weekly wages on the theory that the shorter day would decrease the supply of labor and thus enable workers eventually to raise their wage rates. This belief gave rise to the famous union doggerel framed by the wife of Ira Steward, the Boston machinist who devoted his life to the 8-hour-day movement:

> Whether you work by the piece,
> Or work by the day,
> The longer the hours,
> The shorter the pay.

As the increased productivity resulting from technological improvements became more apparent, organized labor changed its position and demanded reduced hours with no reduction in weekly wages, that is, shorter hours accompanied by increased hourly rates.

The argument for shorter hours *and* increased pay assumed two aspects, one remedial and the other preventive. Fundamentally, both stemmed from the same premise, but the emphasis in approach shifted according to the economic situation at hand when the hour issue was under consideration. When unemployment was widespread, shorter hours were demanded to offset the effects of machine production. Samuel Gompers, when president of the American Federation of Labor, maintained on numerous occasions that the ever-increasing inventions and improvements in methods had rendered hundreds of thousands of wage earners superfluous and that "so long as there is one man who seeks employment and cannot obtain it, the hours of labor are too long."

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[12] T. V. Powderly, in *North American Review,* April, 1890, p. 467.

[13] Reduction in hours does not necessarily create additional employment opportunities. Even without mechanical improvements, shorter hours frequently result in increased individual efficiency sufficient to maintain former production with the same number of workers. (See *Monthly Labor Review,* November, 1933, pp. 1032 ff.)

Shortening hours to reduce unemployment was a very practical argument; but organized labor, as well as others, have also contended that shorter hours are a means of preventing unemployment. The line of reasoning is that with both shorter hours and increased wages, workers have more leisure to develop wants and also the money with which to satisfy them, and this creates additional markets, stimulates production, and thus creates more jobs. In other words, shorter hours *and* increased wages serve to balance consumption and production, a theory which has been discussed in some detail elsewhere in this volume.

EMPLOYER OPPOSITION

Reduction in work schedules can be achieved by three means: through pressure of organized labor, through legislation, and by voluntary action of employers. These have not always operated as discrete forces, however, and most improvements in hours have been the result of interacting influences. Labor unions have been instrumental in getting hour legislation enacted, and legislation, once enacted, has aided unions in obtaining further improvements. Public opinion has been an important factor in many instances, but unions have played a major role in arousing public opinion. In many cases of seemingly voluntary reduction of hours by employers, the impelling reasons have actually been to thwart the unionization of their plants or to ward off threatened strikes. In plants where both men and women are employed, legislation restricting the hours of women has encouraged a general reduction in work schedules in order to maintain a uniform flow of work.

Employer Arguments

In spite of the apparent logic that the use of labor-saving machines should result in shortening the hours of human labor, reductions in work time with a few notable exceptions have been obtained only after prolonged struggles and against bitter employer opposition. At every stage employers have contended that the proposed new restriction of hours would deprive them of all margin of profit, lower the wages of their employees, raise the price of their commodities, and make it impossible for them to meet competition in this country or from foreign countries.

To bolster their arguments, employers have offered "conclusive" evidence that the then existing hours resulted in maximum efficiency. Decades after many unions had won an 8-hour day and at a time when they were successfully negotiating the 44-hour week, studies financed by manufacturers[14] indicated that the nine-hour or longer day represented the optimum work schedule. An investigation of the shoe industry in 1918 concluded that, under the given operating conditions, maximum efficiency was impossible under less than a 52-hour week. A study of the silk industry fixed the point of maximum output between 50 and 54 hours. A similar report for wool plants, while admitting that reduction in hours with increase in output might be expected in large plants, stated that reduction to a 54-hour schedule involved a loss of output in the majority of cases. Investigation of cotton manufacturing plants led to the same unfavorable conclusion, that reduction from 58 or 56 to 55 or 54 hours a week had, in the great majority of cases, been followed by a decreased output. Significantly, conclusions about the metal manufacturing industry, in which unions had gained an 8-hour day in some plants, were neither so definite nor so unfavorable. The report admitted that the 48-hour week had proved to be practicable in a considerable number of plants, but that there was no clear-cut line below which reduction in hours led to a uniform change in efficiency.

Fear of increasing the costs of production, of course, was the basis for employer opposition to reduced hours, although some employers freely admitted that after experimenting with shorter hours their unit labor costs had not advanced and indeed had declined. In opposing reduction of hours, however, employers have not always confined themselves to strictly business reasons. According to many of their statements, they have been equally concerned about the morals and legal rights of their employees. When the 10-hour day was up for discussion in 1870 an owner of a bleachery stated that he had "invariably noticed that when men

[14] The National Industrial Conference Board, which is supported by its members, most of whom at that time (1918–1919) were manufacturers and manufacturers' associations. The above statements are from their *Research Reports,* Nos. 4, 7, 12, 16, 18, and 32, as summarized by Marion C. Cahill, *Shorter Hours,* Columbia University Press, New York, 1932, pp. 248–249.

are kept at work until 10 P.M. they live in better health, as they keep indoors instead of sitting around doors smoking."[15]

In opposing an 8-hour bill in 1902, the president of the National Association of Manufacturers denounced it as a socialistic and artificial measure which controverted the inalienable right of the individual to use his time as he saw fit.[16] As late as twenty years ago another president of the same Association, in expressing his opposition to the five-day week, stated:

> "Six days shalt thou labor and do all thy work." So reads the fifth of the great commandments and for sixty centuries it has been accepted as the divinely prescribed standard of economic effort. It is the perfectly fixed basis of human achievement and social contentment. . . . These constant attempts to amend the decalogue and to adapt by alterations the moral law to the appetites developed by easy and loose living constitute the outstanding peril of our unprecedented prosperity.
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> More leisure is sought, it is said, to provide larger opportunities for the cultural processes. Let it not be forgotten in this connection that there is quite as close relationship between leisure and crime as between leisure and culture. When, therefore, we reflect upon the black, appalling fact that ours is the most crime-ridden nation on earth, as well as the easiest living, should we not conclude that it would be well for us to curtail some of the opportunities for culture already perverted to criminal uses?[17]

Upon another occasion, happily unaware of the business collapse and subsequent "reforms" which were to take place within a few months, the same spokesman for this manufacturers' association expressed gratification that the workers' time was fully taken up with their jobs: "They [the working masses] have for the most part been so busy at their jobs that they have not had time to saturate themselves with false theories of economics, social reform, and of life. They have been protected in their natural growth by the absence of excessive leisure. . . . I do not, therefore, share the

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[15] Massachusetts Bureau of Statistics of Labor, *First Annual Report*, 1870, pp. 223–224.

[16] D. M. Parry, *Disastrous Effects of a National Eight-Hour Law*, pamphlet, 1902.

[17] Quoted in L. T. Beman, *Five Day Week*, H. W. Wilson Company, New York, 1928, p. 65.

view that leisure as an end is a worthy or desirable aspiration. . . ."[18]

The Steel Industry

The reduction in hours which took place in the 1920's in the steel industry reveals the influence of public opinion upon employer policy. Steelworkers at that time were unorganized and the change in hours was largely the result of an aroused public opinion, prodded, it is true, by an unsuccessful strike by the workers. Since steelmaking is a continuous-process industry, the shortening of hours necessitated the employment of additional crews and an entire rearrangement of work shifts which, from the management's side, presented a more complex undertaking than a mere curtailment in the number of hours of plant operation.

In 1900 practically every ton of pig iron and steel produced in the entire world was made by men working in doubled shifts of 12 hours each, having neither Sundays nor holidays the year round. Earlier, some plants in the United States had worked on a three-shift, 8-hour basis, but because of competition had been forced to go on the two-shift schedule. The now defunct Amalgamated Association of Iron and Steel Workers during the 1880's had been successful in getting Sunday off for its members, except those at blast furnaces; but after the loss of the Homestead strike of 1892 the employers were in complete control and the seven-day week, 12-hour day became universal. In 1910 the excessive hours, as well as other evils in the steel industry, were brought to public attention through a study made by a private agency,[19] and following a strike at the Bethlehem mills that same year a government investigation was undertaken which also stirred up public opinion. These investigations revealed that in contrast to the general tendency in other industries toward decreased hours, in the great basic steel industry only 14 percent of the employees worked less than 60 hours per week, and almost 43 percent worked 72 hours and over per week.[20]

[18] John E. Edgerton, National Association of Manufacturers, 34th Annual Convention *Proceedings*, 1929, p. 23.

[19] The well-known Pittsburgh survey under the Russell Sage Foundation. See John A. Fitch, *The Steel Workers*, The Survey Associates, New York, 1910.

[20] U. S. Senate, *Report on Conditions of Employment in the Iron and Steel*

These reports and the adverse public opinion they aroused caused the U. S. Steel Corporation to appoint a committee to "consider what, if any, arrangement with a view to reducing the twelve-hour day insofar as it now exists among the employees of the subsidiary companies is reasonable, just and practicable." Very little resulted from these investigations, although some workers were taken off the seven-day week. Since their rates were not adjusted, however, this resulted in a 14 percent loss in wages. The corporation in 1913 asserted that it could not eliminate the 12-hour day until its competitors did likewise, but it tabled a resolution which proposed coöperation to this end by the entire industry.

During World War I, with its pressure for production and the decreased supply of labor, the question of shortening hours receded into the background. The general strike in 1919 brought the issue to the public attention once again, and again investigations and publicity on the part of private groups provided the impetus for action. After investigation, the Inter-Church World Movement[21] indicated that average hours in the industry were actually longer than before the war and that over 52 percent of the employees of the U. S. Steel Corporation were on 12-hour shifts. The Federated American Engineering Societies, on the basis of an investigation of the three-shift operations in a number of continuous-process industries, found "no outstanding obstacle" to putting the steel industry on an 8-hour day and estimated that the change would entail only a 3 percent increase in costs.[22]

The industry's answer to these reports was that the elimination

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Industry, 1911, vol. i, p. xvi. The investigation was conducted by the Department of Labor.

[21] The Commission of Inquiry, Inter-Church World Movement, *Report on the Steel Strike of 1919,* New York, 1920, pp. 49, 71. This Commission was composed of representatives of Protestant, Catholic, and Jewish churches.

Although the 1919 strike was primarily for union recognition, the prevailing long hours were a major cause of the discontent. Before and during the strike the employers, under the leadership of Elbert H. Gary of the U. S. Steel Corporation, persistently refused to talk to the union committee and declined offers made by both the Inter-Church World Movement and the Senate Investigating Committee to appoint a mediator or arbitrator. The strike was an absolute failure.

[22] Federated American Engineering Societies, *The Twelve-Hour Shift in Industry,* E. P. Dutton & Co., New York, 1922.

of the 12-hour day was not feasible at the time, that such a step would increase the cost of production 15 percent and require 60,000 additional workers, and that the 12-hour day was not of itself an injury to the employees physically, mentally, or morally. This adverse answer from the Steel and Iron Institute was bitterly attacked by the general public, and within a few months the industry reversed its decision, indicating that it would begin the total elimination of the 12-hour shift, with compensatory wage rate increases. There were some immediate effects from this change of policy, and average hours in the steel industry declined. In spite of the change to the three-shift basis, however, relatively long hours continued in the steel industry until the 1930's. In 1929 more than one-half of the blast furnace employees regularly worked a seven-day week; although 73 percent had a work week of 60 hours or less, more than 11 percent were till working from 72 to 84 hours a week.[23]

The Five-Day Week Issue

While the majority of employers held firmly to their belief that the 50- and 54-hour week represented the shortest practicable work schedule, a few employers began to adopt the five-day week during the 1920's. The same research agency which in 1919 had found the 54-hour week necessary to maximum efficiency in several industries stated ten years later that "the 5-day week has passed from the status of a vague future possibility to that of an accomplished fact in several hundred establishments."[24] Most of these plants, however, were small, and more than half were unionized clothing shops.

It was quite a different matter to have the five-day week introduced into a great mass-production industry, and there was a great deal of consternation among employers when Henry Ford adopted it in 1926. (In 1914 he had introduced the 8-hour day at the time when the 9- and 10-hour day was common throughout most manufacturing industries.) Ford gave as his reason for instituting the shorter week the necessity for providing workers with

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[23] *Monthly Labor Review,* June, 1930, pp. 183 ff.

[24] National Industrial Conference Board, Inc., *The Five-Day Week in Manufacturing Industries,* New York, 1929, p. 7.

more leisure time so that they would be better consumers. In his announcement he said:

The harder we crowd business for time the more efficient it becomes. The more well-paid leisure workmen get the greater become their wants. These wants soon become needs. Well-managed business pays high wages and sells at low prices. Its workmen have the leisure to enjoy life and the wherewithal with which to finance that enjoyment.

The industry of this country could not exist long if factories generally went back to the 10-hour day, because the people would not have the time to consume the goods produced. For instance, a workman would have little use for an automobile if he had to be in the shops from dawn until dusk. And that would react in countless directions, for the automobile, by enabling people to get about quickly and easily, gives them a chance to find out what is going on in the world—which leads them to a larger life that requires more food, more and better goods, more books, more music—more of everything.

Just as the 8-hour day opened our way to prosperity, so the 5-day week will open our way to a still greater prosperity. . . .

Ford was careful to state that reductions in hours could be premature for certain industries at certain times:

Twenty years ago, introducing the 8-hour day generally would have made for poverty and not for wealth. Five years ago, introducing the 5-day week would have had the same result. The hours of labor are regulated by the organization of work and by nothing else. It is the rise of the great corporation with its ability to use power, to use accurately designed machinery, and generally to lessen the wastes in time, material, and human energy that made it possible to bring in the 8-hour day. . . . Further progress along the same lines has made it possible to bring in the 5-day week. . . . In the old days a man had to work through a long day in order to get a bare living. Now the long day would retard both production and consumption.

Prophetically, he added,

At the present time the fixing by law of a 5-day week would be unwise, because all industry is not ready for it, but a great part of industry is ready, and within a comparatively short time I believe the practice will be so general in industry that it can be made universal.[25]

[25] *Monthly Labor Review*, December, 1926, pp. 11–12. Quoted from an interview by Samuel Crowther appearing in the *World's Work*, October, 1926.

The response to this unprecedented action by one of their number was unfavorable, to say the least. Many employers questioned Ford's sincerity, maintaining that he adopted the shorter week because his business had declined and the five-day week was merely a share-the-work device. Elbert Gary, who a few years before had maintained that it was impossible to eliminate the seven-day week in the steel industry, now extolled the six-day week and quoted the Bible as opposing a five-day work-week: "Six days shalt thou labor, and do all thy work. The reason it didn't say seven days is that the seventh is a day of rest and that's enough."[26] The National Association of Manufacturers opposed the five-day week for the very reason Ford advocated it, maintaining that "it would create a craving for additional luxuries to occupy the additional time."[27]

This was only a few years before the business collapse in 1929. When the 40-hour week was recommended as a means of recovery from this depression, much of the former opposition of employers disappeared.

UNION PRESSURE FOR REDUCED HOURS

Many persons other than wage earners have been interested in the question of working hours and upon occasion have assisted in getting them reduced. But it has been the workers themselves, through their unions, who are chiefly responsible for the fact that weekly hours of work have been reduced by one-half during the past hundred years. In their efforts to shorten their hours of labor, workers have used every tactic and means at their disposal. They have appealed to the general public as well as bringing pressure upon employers through peaceful negotiations and, when necessary, through boycotts, strikes, and threatened strikes.

The benefits from union action have not been confined to union members. Union influence has been an important factor in hour legislation which has benefited nonunion as well as union workers, and the downward trend in hours resulting from collective bargaining has spread into the unorganized industries. Although the

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[26] *Monthly Labor Review*, December, 1926, p. 16.

[27] New York *Times*, October 21, 1926.

work week for unorganized workers was generally four to six hours longer than that in unionized trades until the leveling effect of recent legislation, the trend of hours for the former was likewise downward, although at a different level.

Legislation Versus Direct Action

Historically, the labor movement in this country has relied more upon its own bargaining strength than upon legislation to obtain shorter hours of work in private industry. At times, particular unions and individual spokesmen of the labor movement have agitated for hour legislation, but throughout the years the dominant attitude has been one of preference for bringing pressure upon employers through direct action and negotiation. Although this attitude changed somewhat during the 1930's when organized labor became a vigorous supporter of hour legislation, the unions have not accepted the hours standards established through legislation as the final word but are continuing to bargain for "better" hours than those provided by existing laws.

In the early days of the labor movement, some union leaders placed more emphasis upon the ballot and political action than upon bargaining for improved hours. Following the Civil War, when the demobilization of soldiers caused widespread unemployment, various local unions throughout the country took an active part in the formation of Eight-Hour Leagues.[28] In 1866 a general convention of union and Eight-Hour League delegates declared "That the first and grand desideratum of the hour, in order to deliver the labor of this country from thralldom, is the enactment of a law whereby eight hours shall be made to constitute a legal day's work in every State of the American Union." In order to obtain an 8-hour day there was talk of forming a separate political party. "The time has come when the workingmen of the United States should cut themselves aloof from party ties and predilections, and organize themselves into a National Labor Party, the object of which shall be to secure the enactment of a law making

[28] The Eight-Hour League movement started in Boston and spread rapidly to the Middle West and even to New Orleans and San Francisco. Some of the scattered Leagues united; the Grand League of Illinois, for example, had over twenty subordinate leagues in that state. (Commons and associates, *History of Labour in the United States,* vol. ii, pp. 91 ff.)

eight hours a legal day's work by the National Congress and the several state legislatures. . . ."[29]

This 8-hour movement was sponsored as much by reform elements outside the labor movement as by union leaders. The great reformer, Wendell Phillips, was a prominent leader. He maintained that long hours were the root cause of unemployment and other social evils, and that hour legislation was necessary to obtain justice and equality of opportunity for workingmen by giving them time for intellectual development. This concerted movement for 8-hour legislation soon collapsed, however, many of the original sponsors turning to monetary reform (cheap money and low interest rates) to secure "the natural rights of labor."[30]

When the Knights of Labor was established during the 1870's it adopted the 8-hour-day slogan, but its leaders never vigorously supported legislation or any specific program for obtaining it. According to Grand Master Powderly there were other more basic problems than that of hours: "Hours of labor will be reduced in vain where hundreds of thousands seek for employment as a result of unjust taxation and speculative landholding." The panacea, according to him, was education to prepare for the 8-hour day in the future and "coöperation by which machines will be made the slave of man, not man kept in attendance on the machine."[31]

From the date of its formation, the American Federation of Labor made the 8-hour day its rallying cry, but it early adopted the policy of direct action rather than legislation, except for particular groups of workers. In order to have the government set a good example to private industry, the A.F.L. has always sponsored and fought for legislation to cover the hours of labor of public employees; it has also endorsed hour legislation for women and minors, and upon occasion has supported legal hour limitations for men engaged in especially hazardous and unhealthy occupations such as mining. For private employment in general, the official policy of the A.F.L., until very recent years, has been op-

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[29] *Ibid.*, vol. ii, pp. 95 ff.

[30] Fundamentally, this monetary reform movement was directed toward making it possible for every wage earner to become his own boss, either by having his own business or through coöperative enterprises.

[31] T. V. Powderly, Knights of Labor *Proceedings*, September, 1886, p. 40.

position to hour legislation but a persistent campaign for reduced hours through collective bargaining.

There were several reasons for this attitude. In the first place, the leaders of the A.F.L. were convinced that the prospects for obtaining general legislation were illusory and that efforts in this direction were therefore a waste of time. Also they believed, as did most of the public, that even if hour laws were enacted they would be declared unconstitutional by the courts.[32] Efforts to obtain adequate enforcement of the few laws that had been enacted to cover public employees was disappointing, to say the least; hence experience seemed to justify the belief that ". . . it is useless to wait for legislation in this matter. A united demand for a shorter working day, backed by thorough organization, will prove vastly more effective than the enactment of a thousand laws depending for enforcement upon the pleasure of aspiring politicians, of sycophantic department officials."[33]

A major reason for organized labor's opposition to hour legislation was its fear that it would lead to a decreasing interest in unions, that if the 8-hour day was given to all workers, unorganized as well as organized, there would be little inducement or need for workers to belong to unions. This fear was expressed by President Gompers at the 1914 convention when a large faction of the delegates was pressing for legislative action: "If we can get an eight-hour law for the working people, then you will find that the working people, themselves, will fail to have any interest in your economic organization, which even the advocates declare essential in order that such a law can be enforced." Gompers also expressed two all-pervading fears of labor at that time. The first, based on experience with "antilabor" decisions of the courts, was that hour legislation might be distorted through judicial interpretation in such a way as to interfere with the liberties of workers; the second, that legal minimum standards might become maximum standards

[32] See the next chapter. As an illustration of the unpredictability of events, an unbiased student of the hour problem said, as late as 1932, "The powers of the Federal Government to legislate on the question of hours are distinctly limited by the Constitution. . . . A general federal hours' statute is a Utopian hope." (Cahill, *Shorter Hours*, pp. 21–22.)

[33] Federation of Organized Trades and Labor Unions, *Proceedings* (1884), pp. 10–11. In 1886 this organization became the American Federation of Labor.

and that a general 8-hour law might preclude unions from ever gaining shorter hours.

These objections to legislative measures for the improvement of hours (which applied to other aspects of work conditions as well as hours) sprang from the weak position of organized labor at that time. Experience has proved that these fears are unfounded and that the presence of labor legislation does not remove the need for, or the workers' interest in, union organization. Laws are not self-enforcing, and legislatures appropriate money and see that adequate enforcement is provided only when there is persistent prodding by influential and articulate groups of voters. This is especially true of labor laws because individual workers, without the protection of unions, will not report employer violations for fear of losing their jobs. An outstanding illustration of the degree of enforcement during periods of relatively weak, compared to strong, union influence is revealed in the history of the Federal Eight-Hour Law, discussed later.

Progress Through Collective Bargaining

When the American Federation of Labor was formed in 1881, union members almost without exception were working 10 hours a day for six days a week. A very few had gained the 48-hour week, and some were on 70- and 72-hour week schedules. The 12- and 13-hour day, however, had almost disappeared in the unionized trades, although it was still prevalent among unorganized workers. One of the first matters discussed by the newly established Federation was the feasibility of a nation-wide strike for an 8-hour day. A formally authorized nation-wide strike never matured, but hundreds of local unions called strikes and held public demonstrations on May Day, in 1886, which received a great deal of publicity and in some cases, notably in Haymarket Square, Chicago, resulted in violence.[34]

[34] On May 3 police had fired into an assembly of strikers at the McCormick Harvester Works, killing four and wounding many more. During a protest meeting held the following day there was a bomb explosion attributed to anarchists which killed or wounded several hundred workers and scores of policemen. Eight union leaders were convicted; four were hanged, one committed suicide. The other three, sentenced to life imprisonment, were freed by Governor Altgeld.

For an account of the strikes and demonstrations during this 8-hour-day campaign, see Cahill, *Shorter Hours*, pp. 154–159.

As a result of this agitation, a few locals secured reductions in hours but, on the whole, the A.F.L. leaders considered this initial mass movement a failure so far as the immediate objective of the 8-hour day was concerned.[35] Thereafter, the Federation substituted the salient for the mass movement tactic, that is, carefully

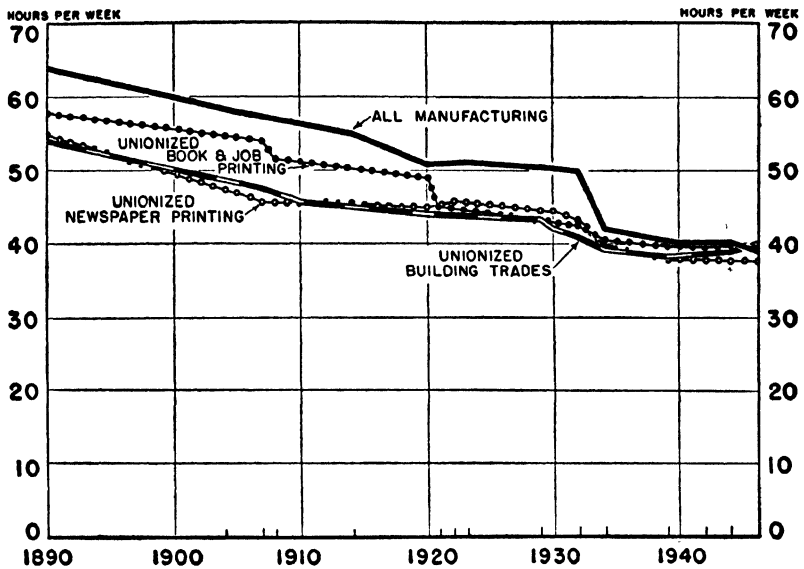

FIG. 27. *Trends in Average Weekly Hours Since 1890. (Based on Bureau of Labor Statistics data.)*

planned successive drives by individual trades, accompanied by a great deal of publicity, speechmaking, etc. The carpenters' union, which was strongest and which had already accumulated a fund for this purpose, took the initiative. Within a year their concerted campaign resulted in an 8-hour or at most a 9-hour day in a number of cities. According to the original plan, the coal miners were to follow the carpenters, but the United Mine Workers found

[35] Samuel Gompers attributed the failure of the campaign to the Haymarket affair. "The effect of that bomb was that it not only killed the policemen, but it killed our eight-hour movement for that year and for a few years after, notwithstanding we had absolutely no connection with these people." (*Industrial Commission Report VII,* p. 628.)

themselves too weak at this time to face the determined opposition of the United Coal Operators and decided not to strike.

Because of the prolonged depression which began in 1893, no more industry-wide drives were undertaken until 1900, when the granite cutters called a general strike for an 8-hour day and won a complete victory for their members. In 1904 the Typographical Union inaugurated its successful nation-wide movement for an 8-hour day, many of its locals having gained a 9-hour day a few years previously.[36] One organized trade after another carried on its drive, and as soon as a local won a 48-hour week, pressure continued for a 44-hour week. But success was not uniform even within the same trade; in some cities the 60-hour week remained in force several years after the 44-hour week had been established in other cities in the same trade. By and large, however, there was usually a lag of only a few years before each successive downward revision for a given trade was obtained in all the cities in which the union functioned.

When World War I began in Europe, most of the organized building-trades workers and newspaper printers were on a 44-hour week, and the book and job printers, brewery workers, and engineers had obtained a 48-hour week. A majority of the unionized metal workers and bakers, on the other hand, were on a 9-hour-day schedule, while most unionized teamsters and truck drivers worked 10 hours, 6 days a week. In 1915, when employment was rising as a result of war orders from abroad, the machine trades started a successful movement for an 8-hour day, 48-hour week. The men's clothing industry was fairly well organized and the Amalgamated Clothing Workers had obtained a 48-hour week in many of the large clothing centers in 1916. Most of the organized fur workers and many of the women's garment workers in New York had obtained a 40-hour week by this time.

In contrast, the scheduled work week for three-fourths of the

[36] The Typographers had a special reason for pressing for a shorter workday, namely, the introduction of the linotype machine which was causing widespread unemployment throughout the craft. Instead of fighting the new machine and allowing it to be taken over by unskilled labor, the Typographical Union accepted the innovation subject to the proviso that it be operated by union men and be regarded as a means to "secure decreased hours of labor at a fair rate of wages." (See Cahill, *Shorter Hours*, pp. 175 ff.)

nonunionized manufacturing wage earners was 54 or more hours, and for almost one-third the normal work week was 60 or more hours. In southern manufacturing, the normal work week for at least 60 percent of all employees was 60 hours or more. Throughout the country, the 10-hour day six-day week prevailed for almost half of all employees engaged in textile, leather, and paper manufacturing; many lumber and sugar refinery workers were employed 72 hours or longer a week.

RECENT TREND IN HOURS

The hours of work were greatly reduced for most workers during World War I, when employers were forced to compete for labor in a tight market. Many 60-hour-week schedules were reduced to 54 hours, and in response to government as well as union pressure many war industries adopted a basic 8-hour day. During the war period the proportion of factory wage earners with a scheduled work week of 48 hours or less more than quadrupled, and the proportion with schedules of 54 or more hours declined by half.

During the early 1920's the Saturday half holiday was introduced in many manufacturing plants and the 50-hour week became typical. Also many steel mills and other continuous-process industries, in which the 12-hour day had persisted, changed from a two- to a three-shift basis. In 1921 the book and job printers, after numerous strikes, gained a 44-hour week, as did most of the metal workers a few years later. The Amalgamated Clothing Workers obtained a five-day week in half of their unionized clothing shops.

The hours worked by a majority of wage earners remained practically the same from 1924 to 1930. Most unions were very weak and were therefore unable to obtain reduced schedules even in plants and trades where the 60-hour week remained in force. For example, as late as 1930 three out of four union truck drivers were working more than 58 hours a week, and the normal work week of one out of four was 60 or more hours.

With the depression years of the thirties came a radical change in the level of working hours throughout American industry, reflecting the great amount of part-time employment. When a maxi-

mum work week of 40 hours was established for most branches of manufacturing under the National Recovery Administration codes,[37] the average weekly hours were already below the 40-hour level in many industries. In textiles and a few other industries where large proportions of the employees were still working more than 40 hours a week, the NRA brought a considerable drop in weekly hours. Many workers in "sweatshop" garment factories also benefited by a reduction in their exceedingly long working hours.

Following the invalidation of the NRA codes in 1935 there was a tendency to lengthen the work week. Before it was well under way, the greatly increased strength of labor unions and the influence of the Fair Labor Standards Act initiated a new trend toward a shorter work week. Nevertheless, in 1938 more than 60 percent of all wage earners in manufacturing and the principal non-manufacturing industries were employed on weekly schedules exceeding 40 hours a week. When the 40-hour provision of the Fair Labor Standards Act became effective in October, 1940, the work schedules of nearly 2 million workers, out of the 12½ million wage earners covered by the Act, called for more than 40 hours a week.[38]

In direct contrast to the trend in weekly hours during World War I, World War II witnessed a sharp rise in weekly hours. In spite of this rise, however, the average hours worked during the peak of World War II was at least 6 hours less per week than during World War I. During World War I the drop was from a prewar average of more than 51 hours, whereas during World War II the rise was from an average of less than 40 hours per week.

This increase in working hours, however, did not result from a sacrifice of hours standards. At the beginning of the war program President Roosevelt issued an order that all statutory provisions affecting the hours of labor and the payment of overtime should be observed. In line with this policy, the 48-hour week was generally adopted with overtime rates in conformity with union agreements and the Fair Labor Standards Act.

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[37] Of 558 master codes, all but 41 specified a maximum work week of 40 hours or less, though often there was provision for longer hours in a limited number of peak weeks or for the averaging of hours over specified periods of time.

[38] *Monthly Labor Review,* December, 1940, p. 1469.

HOURS PROVISIONS IN UNION AGREEMENTS

Several years before the 40-hour week became effective under the provisions of the Fair Labor Standards Act, most union agreements specified a normal work week of 40 hours, and a number of unions had succeeded in negotiating work weeks of less than 40 hours. Most of the organized glass, rubber tire, and men's clothing workers were on a 36-hour week, although in the first two industries overtime premium rates were provided after 40 hours. The 35-hour week prevailed in the women's clothing, fur, and hat industries and in coal mining; the 37½-hour week was common in newspaper publishing. Many of the building-trades unions had obtained 30- and 35-hour weeks.

During the war, as already indicated, longer hours were actually worked than were specified in union agreements which refer almost without exception to the maximum number which may be worked at *regular* rates of pay. Very few agreements, and then only when unemployment exists in the trade, prohibit working longer hours provided overtime or penalty rates are paid for work beyond the specified hours. The most common overtime rate is one and one-half times the regular rate; some agreements establish double rates for all overtime, and many more require double or even triple rates for Sunday and holiday work or for overtime exceeding 10 or 12 hours in any day.

Since the legal adoption of the 40-hour week,[39] most unions thus far have directed their attention toward establishing a normal work week consisting of 8-hour workdays from Monday through Friday. The Fair Labor Standards Act establishes no daily maximum, and in the absence of agreements to the contrary, the 40 hours specified in the Act can be spread over six or seven days or telescoped into fewer than five days without the payment of overtime rates for longer than eight hours. A majority of agreements now provide for the payment of overtime rates after eight hours' work in any day. In order to protect the five-day week, most agreements outside the continuous-process industries also require over-

[39] The Fair Labor Standards Act does not cover railroad employees. It was not until 1949 that the railroad unions were successful in getting a 5-day, 40-hour week established generally throughout the railroad industry.

time pay for work done on Saturday, even though Saturday work does not involve working beyond 40 hours. Thus, if time has been lost during the week because of holidays, lack of work, machine breakdowns, and so forth, Saturday make-up time must be paid for at overtime rates.

Although the 40-hour week has now become standard practice, it is to be expected that organized labor will press for shorter hours in the not too distant future. The issue has been discussed in their recent conventions and tentative plans have been made for a 30-hour week campaign whenever the national economy shows signs of slowing down. Union pressure for the shorter work week will be based on the need for spreading employment and bringing about a better distribution of the increased production resulting from the ever-increasing mechanization of industry.

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CHAPTER 17

GOVERNMENT REGULATION OF HOURS

LAWS FOR THE REGULATION OF HOURS OF WORK HAVE BEEN directed toward four general ends and have assumed two distinct characteristics. The several purposes are indicated by the groups of employees covered: workers directly or indirectly employed by the government; women and children; men engaged on occupations which are especially hazardous either to themselves or to the public; and finally, all workers, regardless of sex or age, kind of employer or employment.

Hour legislation for workers employed on public works and public contracts is an expression of the government's willingness to exercise its prerogatives as an employer of labor to establish certain labor standards. Laws for particular classes of workers and occupations in private industry represent the community's willingness to assume a measure of responsibility for the health and safety of the workers concerned as well as the general public. While health and safety have also been factors in the enactment of general hour laws, economic motives have been predominant, as is evidenced by the circumstances of their passage.

Types of Hours Laws

In addition to the various kinds of groups of workers covered, there is a basic distinction in the types of hour laws which have been enacted. Hour laws differ fundamentally according to whether they fix an absolute *limit* on the number of hours which may be worked, or whether they establish a *standard* and require the payment of extra wages or penalty rates for work beyond the specified standard. This difference is of major importance because of its effect upon business operations and, under certain circumstances such as war conditions, upon the national welfare.

Laws which are primarily for the purpose of protecting the health and safety of individuals are designed to place absolute limits on allowable work time. Based on the assumption that longer hour are injurious to the particular workers concerned, or might jeopardize the public safety, they seek to prohibit altogether the working of longer hours than those specified in the law. Actually, however, most of them permit longer hours under specified circumstances, usually designated as "emergencies." If "emergency" is interpreted in the narrow sense to refer to fires, floods, or other "acts of God," the hours specified in the statute virtually fix an absolute limit on working time. On the other hand, if "emergency" can be interpreted to mean a "business emergency" such as a rush of work to fill an order or to save perishable goods, the statutory hours, of course, are not the actual maximum hours worked at all times.

General legislation covering all classes of workers has been directed more toward discouraging long hours of work than prohibiting them altogether. This is achieved by the establishment of a standard number of hours and requiring the payment of penalty rates for hours worked beyond the established standard. It allows flexibility in working time to take care of production needs which would not usually be classified as "emergency," and at the same time the penalty rates serve as a deterrent to excessive or unnecessary long hours. Moreover, this type of law is relatively easy to enforce. Longer hours are not absolutely forbidden when extra production is needed or wanted, and most employers would rather pay the extra wages than run the risks of violation. Also, employees are more likely to report violations in order to collect their overtime rates.

The merits of a "normal hours" law with penalty rates for overtime, in contrast to a rigid ceiling on hours, were amply demonstrated during World War II. Since there were no legal restrictions on the actual hours of labor, schedules could be arranged to take care of production requirements. At the same time, the overtime rates helped to boost weekly earnings when the cost of living was rising. The hours as well as the overtime feature of the laws made for flexibility in work schedules and income when both were needed.[1]

[1] In contrast to the federal hour laws in this country was the legislation enacted in France just prior to the outbreak of World War II, which placed

HOUR LEGISLATION AND THE COURTS

Legislative and judicial action on the regulation of hours during the past hundred years reveals the same gradual shift in position as has taken place with respect to other phases of labor conditions. During the early years of the movement it was a question of legislative acceptance of a responsibility to shorten the hours of work of wage earners; later the issue hinged more upon judicial application of hour legislation to the principles of freedom of contract and police powers of the state. As early as the middle of the 19th century legislators in various states began to respond to public opinion and pressure by enacting laws to regulate the hours for particular groups of workers whose situation seemed to warrant such protection from their government. But many of these laws were invalidated by the courts, and other proposed laws were kept off the statute books for fear of adverse decisions by the courts. It is only within comparatively recent years that government regulation of hours of work has found judicial acceptance.

Principle of Freedom of Contract

The principle of freedom of contract used by the courts in invalidating hour and other labor legislation was based on the Fourteenth Amendment of the Constitution, enacted after the Civil War for a very different purpose, which says, "No state shall deprive any person of life, liberty, or property without due process of law." The courts held that labor is property and that therefore a laborer has a right to sell his labor and to contract with his employer like any other property owner; hence any laws to regulate labor interfere with the individual's property rights or "freedom of contract."

Counterarguments, which finally became decisive, held that labor is not property; that the individual worker actually has little choice or freedom in his employment contract but "obeys the compulsion of circumstances"; and that the police power of the state for the protection of health, safety, and welfare is paramount to an individual's freedom of contract. Let us review briefly the evolu-

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rigid restrictions on the number of hours which could be worked. Many persons questioned the merit of this legislation when France was forced to make a desperate effort to increase production for national defense.

tion of legislative and judicial opinion and action as they pertain to the regulation of hours of work.

As early as 1847 New Hampshire passed a general 10-hour law and during the following decade six other states passed similar legislation. After the Civil War, as a result of vigorous campaigns by labor and reform leaders, a number of states passed general 8-hour laws. By the end of the century hour legislation had been enacted in seventeen states, most of which established the 8-hour standard. These laws, however, had almost no effect upon working hours, and labor denounced them as "frauds on the laboring class." There were two reasons for their ineffectiveness. In the first place, they included an important qualification, namely, "unless otherwise stipulated by the contracting parties"; and the courts almost always assumed that where more than the statutory hours were being worked, this had been agreed upon by the employer and his employees. In the second place, either the laws carried no provision for enforcement or, if penalties were provided, they could be invoked only if the employer "willfully" violated the law or, according to some of the laws, if it could be proved that he "compelled" his employees to exceed the legal limit. Compulsion on the part of the employer was never realistically interpreted to mean that a request by an employer actually becomes a demand when he has the right to discharge.

These early hour laws were based on the principle that labor legislation should not curtail individual liberty to contract, and their constitutionality was never questioned. But when Nebraska in 1891 passed a law which provided extra compensation for work beyond 8 hours a day for all classes of laborers except farm and domestic workers, the State Supreme Court held it unconstitutional on two grounds: first, that it made an unjustifiable distinction between classes of labor by exempting farm and domestic workers, and second, that it infringed upon freedom of contract. By this decision the court rejected the concept of "reasonable classification" of coverage, which is a fundamental presumption for many types of laws. It also assumed that individual workers exercised liberty in their employment contracts and it refused to allow the police power of the state to interfere in any way with that assumed liberty.[2]

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[2] *Low* v. *Rees Printing Co.*, 41 Neb. 127 (1894).

Almost a quarter of a century elapsed before the highest court in the land was called upon to decide the constitutionality of a similar general hour law covering both men and women. In the meantime, most of the hour laws which were enacted were of limited coverage, that is, confined to particular classes of workers or kinds of occupations.

Decisions on Hour Laws for Women

For many years state legislation confined to the regulation of hours of women did not fare much better at the hands of the courts than general hour legislation. The one exception was in Massachusetts, whose State Supreme Court upheld a 10-hour law enacted in 1874 which covered women and minors employed in factories. The Massachusetts courts never invoked the freedom of contract theory but held that there "can be no doubt that such legislation may be maintained either as a health or police regulation, if it were necessary to resort to either of those sources of power."[3]

In contrast to Massachusetts was the situation in Illinois, where an 8-hour law for women employed in factories and workshops was enacted in 1893. Two years after its enactment the Supreme Court of Illinois declared the law unconstitutional, under both state and federal constitutions, on the grounds that it discriminated against factories and against women. It held that women "have a natural equality with men and no distinction may be drawn between them with respect to power of engaging to labor," and that the law violated the Fourteenth Amendment by depriving individuals of property without due process of law. The court held that limitation of this right can be justified only by some special condition, and there was "no reasonable ground . . . for fixing upon eight hours in one day as the limit within which a woman can work without injury to her physique, and beyond which, if she works, injury will necessarily follow."[4]

At the time this decision was rendered there were thirteen women's hour laws on state statute books; but after their constitutionality was questioned, little or no effort was made to enforce

[3] *Commonwealth* v. *Hamilton,* 120 Mass. 383 (1876). Another Massachusetts law in 1892 reduced the weekly hours for factory women to 58, in 1908 to 56, and 1911 to 54. In 1900 women employed in stores were brought under state regulation.

[4] *Ritchie* v. *People,* 155 Ill. 98 (1895).

them outside of Massachusetts. Nevertheless, proponents of hour regulations were able to get laws enacted in several other states, including two important states—Pennsylvania (1897) and New York (1899)—which established the 60-hour week for factory women and in some cases for women in mercantile establishments.

The cloud of uncertainty as to the constitutionality of such laws was removed in 1908 when the Supreme Court of the United States sustained an Oregon law which prohibited women from working in any mechanical establishment or factory or laundry more than 10 hours during any one day. The highest court held that this was justifiable class legislation because it was obvious that "the two sexes differ in structure of body, in the functions to be performed by each, in the amount of physical strength, in the capacity for long continued labor, particularly when done standing, the influence of vigorous health upon the future well-being of the race, and self-reliance which enables one to assert full rights, and in the capacity to maintain the struggle for subsistence. This difference justifies a difference in legislation and upholds that which is designed to compensate for some of the burdens which rest upon her."[5]

Seven years later the United States Supreme Court reaffirmed and extended its acceptance of hour regulation for women when it validated an 8-hour day, 48-hour week California law. Concerning the complaint that the law infringed upon freedom of contract, the court said: "As the liberty of contract guaranteed by the Constitution is freedom from arbitrary restraint—not immunity from reasonable regulation to safeguard the public interest—the question is whether the restrictions of this statute have reasonable relation to a proper purpose. Upon this point, the recent decisions of this court upholding other statutes limiting the hours of labor of women must be regarded as decisive." With regard to the specified length of the day, the court said: "It is manifestly impossible to say that the mere fact that the State of California provides for an eight-hour day, or a maximum of 48 hours a week, instead of 10 hours a day and 54 hours a week, takes the case out of the do-

[5] *Muller* v. *Oregon*, 208 U. S. 412 (1908). The successful outcome of this decision was largely due to Louis D. Brandeis, later a Justice of the Supreme Court, who presented a brief emphasizing the medical and economic reasons for hour legislation for women.

main of legislative discretion. This is not to imply that a limitation of the hours of labor of women might not be pushed to a wholly indefensible extreme, but there is no ground for the conclusion here that the limit of the reasonable exertion of protective authority has been overstepped."[6]

Between the time of these two important decisions a number of states had enacted legislation to regulate, and in some cases to prohibit, night work for women. Massachusetts was the first; its 1890 law forbade the employment of women in factories between 10 P.M. and 6 A.M., and this was supplemented in 1907 by a law prohibiting their employment in textile mills after 6 P.M. The organized male textile workers fought vigorously for this law in order to force the mills to abandon the practice of regularly keeping their mills working during the evening by evading the maximum hour law, that is, employing for evening work women who had already worked the maximum number of hours in other mills during the day. The courts had held that this dual employment was not a violation of the maximum hour law.

The night work laws of other states were not vigorously enforced for a number of years because of their questioned constitutionality, especially after 1907, when the New York Court of Appeals invalidated the New York night work prohibition law. In 1915, however, the New York court reversed its earlier decision, largely because of the evidence presented which was based on case histories of women night workers and medical testimony on the effects of night work. The medical testimony was to the effect that all night work, whether carried on regularly in night shifts or irregularly in the evenings, causes loss of sleep and sunlight; that during the night, the processes of tissue repair are in the ascendent and this is one reason why loss of sleep at night is so detrimental to the organism; that lack of privacy and quiet for sleep in the day, especially in workers' homes, also causes loss of sleep and this is accentuated in the case of women who spend much of the day in housework instead of sleep.[7]

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[6] *Miller* v. *Wilson*, 236 U. S. 373 (1915).

[7] *People* v. *Charles Schweinler Press*, 214 N. Y. 395 (1915). The evidence presented was the report of the Factory Investigating Commission. See Josephine Goldmark, *Fatigue and Efficiency*, Russell Sage Foundation, New York, 1912.

The New York decision virtually established the constitutionality of night work legislation for women, although it was not finally confirmed by the Supreme Court of the United States until 1924.[8]

Regulation of Hours on Public Works

The constitutionality of protective laws for persons employed directly by the government was never questioned, on the principle that the state itself is a proprietary power. However, there was a good deal of litigation and various determinations by state courts and the Attorney General of the United States before the legality of hour regulation for people indirectly employed on public contract work was finally established.

As early as 1840, President Van Buren issued an Executive Order establishing the 10-hour day in government navy yards, and various cities during subsequent years enacted ordinances establishing the 10-hour and later the 8-hour day for municipal workers. The first legislation covering public contract work was enacted by New York in 1853. In 1868 Congress passed an 8-hour law for federal public works and California passed a similar statute. None of these laws or those enacted later by several other states were enforced, most of the state courts holding them unconstitutional on much the same grounds as hour laws for private employment.

In 1899 the Kansas Supreme Court broke precedent by ruling that there was "no infringement of constitutional rights" in the application of an hour law covering contract work, since "there can be no compulsion of a contractor to bid upon public work, nor is the laborer bound to take employment from a person having such a contract."[9] The United States Supreme Court used much the same language when it upheld the state court's decision and emphasized that ". . . it belongs to the State, as the guardian and trustee for its people, and having control of its affairs, to prescribe the conditions upon which it will permit public work to be done on its behalf, or on behalf of its municipalities. . . ."[10]

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[8] *Radice* v. *New York,* 264 U. S. 292 (1924).
[9] 61 Kan. 275 (1899).
[10] *Atkin* v. *Kansas,* 191 U. S. 207 (1903).

Attitude About Hours on Hazardous Work

In its decision on public contract employment, the Supreme Court explicitly ignored the question of whether or not the work involved was dangerous to life or injurious to health. State courts which had held general hour laws for adult men to be an infringement upon freedom of contract were inclined to be more favorable to laws covering particular occupations which involved hazards either to the public safety or to the men employed in them. When the states began to enact laws limiting the hours of work of city streetcar operators and railroad workers, the state courts usually declared them constitutional on grounds of public safety. Likewise, federal legislation regulating the hours for railroad workers was upheld by the Supreme Court of the United States as a safety measure "to reduce the dangers [to life and property] incident to the strain of excessive hours of duty."[11]

The question of hour regulation on hazardous work involving the health and safety of the men employed in the occupations, as distinct from the danger to public safety, came to the attention of the U. S. Supreme Court in 1898 when it sustained a decision of Utah's highest court on the validity of an 8-hour law for miners and smelters. This decision greatly extended the police power of the state when it held that the right of contract "is itself subject to certain limitations which the state may lawfully impose in the exercise of the police power. . . . While this court has held . . . that the police power cannot be put forward as an excuse for oppressive and unjust legislation, it may be lawfully resorted to for the purpose of preserving the public health, safety or morals, or the abatement of public nuisances, and a large discretion is necessarily vested in the legislature to determine, not only what the interests of the public require, but what measures are necessary for the protection of such interests. . . . While the general experience of mankind may justify us in believing that men may engage in ordinary employments more than 8 hours per day without in

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[11] *Baltimore and Ohio Railroad Co.* v. *Interstate Commerce Commission,* 221 U. S. 612 (1911). A few years later the Supreme Court held that a state statute with higher standards than the federal hours of service act was void so far as interstate transportation was concerned. (*Erie Railway Co.* v. *New York,* 233 U. S. 671 [1914].)

jury to their health, it does not follow that labor for the same length of time is innocuous when carried on beneath the surface of the earth. . . ."

The decision also acknowledged the unequal relationship between employers and employees: ". . . the proprietors of these establishments and their operators do not stand upon an equality, . . . their interests are, to a certain extent, conflicting. The former naturally desire to obtain as much labor as possible from their employees, while the latter are often induced by the fear of discharge to conform to regulations which their judgment, fairly exercised, would pronounce to be detrimental to their health. In other words, the proprietors lay down the rules and the laborers are practically constrained to obey them. In such cases self-interest is often an unsafe guide, and the legislature may properly interpose its authority."[12]

This decision was specific in its reference to the hazards of mine employment and settled the question of the legality of hour legislation for occupations in which the hazards to health are obviously greater than in the general run of occupations. Just where the dividing line between extraordinary and ordinary hazards of employment was to be drawn was not specified. The same court a few years later held invalid a New York 10-hour law for bakers on the ground that baking was not dangerous enough to be regulated, in spite of the evidence cited as to the heat and dust-laden atmosphere connected with it. The court held in this instance: "We think that there can be no fair doubt that the trade of a baker, in and of itself, is not an unhealthy one to that degree which would authorize the legislature to interfere with the right to labor, and with the right of free contract on the part of the individual, either as an employer or employee. . . . Statutes of the nature of that under review, limiting the hours in which grown and intelligent

[12] *Holden* v. *Hardy,* 169 U. S. 366 (1898). This case was brought to the attention of the courts by the Utah Federation of Labor, when Holden, a mine owner, insisted on working his miners 10 hours a day. It is reported that the State Attorney General refused to prosecute or to prepare a brief for the prosecution of this violation of the state law, saying, "There are two classes of citizens in Utah, those who pay taxes, and those who do not; and in this case those who pay taxes don't want such a law, and I don't propose to spend their money to defend it." (*American Federationist,* vol. v, pp. 23–24.)

men may labor to earn their living, are mere meddlesome interferences with the rights of the individual."[13]

Acceptance of Legality of General Hour Laws

In spite of this decision, there was a gradual tendency to broaden the coverage of hour laws and to base their legality upon general health grounds rather than specific hazards. In 1912 a southern state, Mississippi, passed a law establishing a maximum 10-hour day for all employees in manufacturing. The Supreme Court of that state declared this a reasonable act within the police powers of the state because ". . . the present manner of laboring, the use of machinery, the appliances, requiring intelligence and skill, and the general present-day manner of life which tends to nervousness, it seems to us quite reasonable, and in no way improper to pass such a law so limiting a day's labor." In commenting upon the principle of liberty of contract and the inalienable rights to labor —which were always brought up by those opposed to regulation— the court said prophetically: "Some day, perhaps, the inalienable right to rest will be the subject of litigation; but as yet this phase of individual liberty has not sought shelter under the state or federal constitutions."[14] Further recognition of the state's right to enact general hour legislation was made that same year when Ohio amended its constitution to give the legislature power to regulate the hours of labor for men as well as women.

The final test on state hour legislation of a general character was the favorable decision by the U. S. Supreme Court on an Oregon law enacted in 1913, which stated that the working of any person in a factory for more than 10 hours in one day was "injurious to the physical health and well-being of such person, and tends to prevent him from acquiring that degree of intelligence that is necessary to make him a useful and desirable citizen of the State." The law, however, allowed 3 hours per day overtime at time-and-a-half rates. The Court held that this law was not an unreasonable or arbitrary regulation, and made no reference to the Lochner case in which it had arrived at the opposite conclusion.[15]

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[13] *Lochner* v. *New York*, 198 U. S. 45 (1905).

[14] 102 Miss. 802 (1912), and 103 Miss. 263 (1913).

[15] *Bunting* v. *Oregon*, 243 U. S. 426 (1917). A very exhaustive brief was prepared for this case which is published in book form. See Felix Frankfurter and

This affirmation of the right of the states to regulate the hours of men as well as women was considered a major turning point by those who had been seeking such legislation for many years. So far as the enactment of new state laws was concerned, however, it brought no results. The ensuing decade (the 1920's) was not conducive to reform, especially in labor matters.

It was almost a quarter of a century after the decision on the Oregon law before the highest court was again called upon to consider the legality of general hour legislation. This time it was federal and not state legislation, and the question of constitutionality rested upon the interpretation of the power of the federal government to regulate interstate commerce, rather than upon the freedom of contract of individuals versus the police power of the states.

In 1941 the Supreme Court of the United States upheld the constitutionality of the Fair Labor Standards Act of 1938 on the ground that Congress has the power to prohibit the shipment in interstate commerce of any goods in the production of which any worker was employed in violation of the wage and hour requirements of the Act. The court maintained that its previous decisions (citing those mentioned above) made it no longer open to question that it is within the legislative power to regulate hours of labor. Regarding coverage of the Act, "interstate commerce" in this and later decisions has been given a very wide application to include any employer who manufactures or deals in products, any portion of which he has reasonable expectation may be shipped across state lines, as well as any employment incidental to the manufacture and delivery of such goods.[16] This judicial recognition that work hours in private industries could be regulated by the federal government represented a milestone in constitutional law.

FEDERAL HOUR LAWS

From the foregoing it is evident that the federal and state hour laws now on the statute books did not, like Pallas Athene, spring full-grown but rather were the result of decades of agitation and

Josephine Goldmark, *The Case for the Shorter Work-Day,* National Consumers League, New York, 1916.

[16] *United States* v. *F. W. Darby Lumber Co.,* 61 Sup. Ct. 451 (1941).

an outgrowth of numerous legislative and judicial decisions. The far-reaching provisions of the Fair Labor Standards Act had their roots in previously enacted state legislation and represent a culmination of public and congressional discussions extending over many years.

At least twenty years before this law was passed, bills had been introduced in Congress to establish the 8-hour day in all plants engaged in producing articles entering interstate commerce. When the constitutionality of such proposed legislation was questioned, there was frequent mention in Congress of a constitutional amendment to permit such legislation. Final action was not taken, however, until after the country had experienced its most severe business depression. The influence of the hour regulations included in the codes of fair competition under the National Industrial Recovery Act, as well as the hour limitations adopted under the various work relief programs, paved the way for permanent legislation.

Significant of possible future trends is the fact that during the business depression which provided the "climate" for the passage of the Fair Labor Standards Act, a number of bills were introduced in both houses of Congress "to prevent the shipment in interstate commerce of any article, in connection with which persons are employed more than five days per week or six hours per day."[17] Thus, several years before the 40-hour week became a legally established standard, serious consideration had been given to a 30-hour week requirement.

Let us review, briefly, the major provisions of the hour laws now in effect on the federal statute books as well as in the various states.

Public Contracts Act

As early as 1868 the federal government enacted an 8-hour-day law for workers employed on federal public works, but this was never seriously enforced. In 1892 another law was passed which limited work on federal public contracts to 8 hours a day except in case of "emergency." Since the term "emergency" was never clearly defined, the 8-hour limit was easily avoided. The act was

[17] Quoted from the 30-hour week bills introduced in 1933 and 1935 by Senator Hugo Black, later Justice of the U. S. Supreme Court.

materially strengthened in 1913 by an amendment which provided that every contract to which the federal government is a party shall contain a provision that no laborer or mechanic in the employ of the contractor or subcontractor shall be required or *permitted* to work more than 8 hours in any calendar day except when the President of the United States has suspended the hour limit during a national emergency, such as a war. In such emergencies, time-and-one-half rates are provided for work in excess of 8 hours.

This national 8-hour law does not apply to contracts for the purchase of supplies by the government, nor does it cover workers employed on the production of goods which the government buys in the open market. It was not until 1936 that the latter type of employment was brought under hour regulation. The so-called Walsh-Healey Public Contracts Act provides for a basic 8-hour day and 40-hour week on all contracts entered into by the United States government for the manufacture or furnishing of materials, supplies, etc., in excess of $10,000. Overtime is permitted, provided that time-and-one-half regular rates are paid for daily or weekly overtime, whichever results in the greater compensation. This Act also prohibits the employment of boys under 16 and girls under 18 years of age, and specifies that the goods purchased by the government shall not be manufactured under conditions that are dangerous or unsanitary to the health and safety of the workers.

Transportation Workers

There are a number of laws which regulate the hours of workers engaged in interstate and foreign transportation, including railroad, maritime, motor vehicle, and air. In some cases the allowable hours are specified by statute, but in other cases the statutes empower regulatory agencies to establish hour standards.

In 1907 a law was enacted by Congress in which the hours of employees engaged in or connected with the movement of trains across state borders were limited to 16 consecutive hours, and the hours of employees not connected with the movement of trains (dispatchers and telephone and telegraph operators) were limited to 9 a day in offices which were continuously open, and to 13 in offices which were open only during the day. The Adamson Act of

1916 provided a basic 8-hour day for railroad trainmen for the purpose of computing compensation, that is, overtime rates.[18]

The hours of employees "whose activities affect the safety of the operation of motor vehicles" engaged in interstate transportation are controlled by the Interstate Commerce Commission. According to its regulations, no driver is permitted to drive more than 10 hours in the aggregate without having at least 8 hours off duty, and no driver is permitted to remain on duty more than 60 hours in any period of 168 consecutive hours (seven days) or more than 70 hours in any period of 192 consecutive hours (eight days). In the event of adverse weather, road, or traffic conditions, driving is permitted up to 12 hours a day. These regulations are the maximum allowable hours established for purposes of safety. The agreements negotiated by employers and unions generally provide for a 40- or 48-hour basic week, with overtime rates in excess of these hours.

According to legislation enacted in 1936 and 1938, licensed officers and sailors on ocean-going and Great Lakes merchant vessels are on a three-watch basis when at sea, and on an 8-hour day when in safe harbor. Under its power to make safety regulations, the Civil Aeronautics Board has prescribed a maximum 8-hour day, 30-hour week for first pilots on commercial planes. If a flight exceeds 8 hours, a rest period is required of at least 8 hours, or twice the number of hours flown since the last rest period. As in the case

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[18] The basis of computing pay for operating railroad employees is frequently a matter of dispute when new contracts are being negotiated, largely because of the operators' contention that the formula has become obsolete since trains have been speeded up considerably beyond the average mileage existing when the basis of computation was originally formulated. The railroad unions contend that this speed-up has caused a greater nervous strain and therefore the original formula is justified. According to the agreements now in effect, operating employees are paid either for a specified number of miles or for a specified number of hours. The basic daily rate in freight service is paid for 100 miles or less, or 8 hours or less, on the assumption of an average speed of 12.5 miles per hour —not actual speed on the road but speed in the sense of elapsed time between terminals. Engine service employees on passenger trains are paid the basic daily rate for 100 miles or less, or 5 hours or less. Train service employees on passenger trains are paid the basic daily rate for 150 miles or less, or 7.5 hours or less. The assumed speed in terms of elapsed time is in both cases 20 miles per hour. Overtime compensation for road service employees begins when the hours worked or the miles run in a day exceed the specified limits.

of other transportation employees, more favorable hours may be established by collective bargaining.

Fair Labor Standards Act

The most far-reaching legislation in the United States regulating the hours of work in private employment is the Fair Labor Standards Act of 1938, sometimes called the Wage and Hour Law. As indicated earlier, it was enacted subsequent to the invalidation of the National Industrial Recovery Act and was designed to continue and extend the hour provisions (and other labor standards) included in most of the codes of fair competition.

The hour clause of the Fair Labor Standards Act establishes a maximum work week, but not a daily maximum, for employees engaged in interstate commerce and in the production of goods for interstate commerce. The law now provides for the payment of time-and-a-half rates for all hours worked in excess of 40 hours per week, but does not limit the number of hours any individual may actually work or the hours a plant may remain open.

Employees of retail or service establishments, the greater part of whose business is intrastate, are excluded, as are farm laborers and employees engaged in the first processing of milk, cotton, and certain other agricultural products. For other agricultural processing industries, such as canning, a 12-hour day, 56-hour week is allowed during a total of 14 work weeks in any one year. Another exception is employees in any industry working under collective agreements which provide an absolute maximum of 1040 hours' work in any 26 weeks, or a guarantee of 1840 hours (or not less than 46 weeks at the normal weekly hours but not less than 30 hours) during any 52-week period. Under such contracts employees may work up to 12 hours a day, 56 hours a week, or 2080 hours per year before the payment of overtime begins. This clause was inserted in the law to encourage guaranteed employment contracts, but it has been little used up to the present time, as was indicated in Chapter 8.

STATE HOUR LEGISLATION

Since the passage of the general 10-hour laws by Mississippi and Oregon in 1913, previously mentioned, only one state, North Carolina, has enacted similar legislation to cover the general em-

ployment of both men and women.[19] Almost all the state hour laws now in effect cover specific occupations or are limited to women and minors. While the passage of the federal Fair Labor Standards Act has removed some of the incentive for the enactment of state legislation, it must be borne in mind that state legislation covering particular groups of employees usually establishes maximum *allowable* work time, in contrast to the federal law which permits an unlimited number of hours provided overtime rates are paid after 40 hours' work a week.

Laws Covering Men

For the most part, state laws regarding the working hours of men apply only to those engaged on public works, or in the transportation industry where public safety is directly affected, or in those employments considered particularly dangerous or unhealthy to the workmen. Laws regulating the hours of labor on public works have now been enacted by more than one-half of the states as well as Alaska, Hawaii, and Puerto Rico. All these laws provide for an 8-hour day and most of them cover all contracts financed by the state or its political subdivisions, although a few limit the coverage to public contracts of the larger cities in the respective states. Approximately two-thirds of the states have adopted hour laws covering employees engaged in city and other intrastate transportation; most of them fix a maximum of 10 or 12 hours of continuous work and require a period of rest before resumption of duty.

In private employment where public safety is not directly concerned, hour laws for men are limited principally to workers in mines, smelters, and related industries. Over a dozen states have laws regulating the hours of labor of some or all classes of work in these industries, a majority limiting the hours to 8 a day. Several states have laws regulating the hours of labor of employees working under compressed air; these laws provide a schedule showing the pressure, shifts, and intervals of rest between shifts for each 24-hour period, thereby prohibiting any overtime work.

In addition to the laws enacted especially for persons engaged on hazardous work, men are also included in the coverage of a few

[19] While these laws are general in their coverage, they specifically exempt certain occupations.

state laws which were primarily directed to the protection of women. For example, men are included in the Mississippi 10-hour day law and in the Arizona law covering laundries, the Montana 8-hour law for retail stores and restaurants, and the South Carolina and Georgia laws placing a 10-hour limit in cotton and woolen manufacturing establishments.

Limitations on Hours for Women

Since the passage of the Fair Labor Standards Act, state legislation covering the hours of work for women is especially pertinent with respect to intrastate occupations, such as retail trade, laundries, restaurants and hotels, and other commercial service industries. In 1949 only seven states and Alaska and Hawaii had no laws regulating the number of hours of work for women in one or all of these occupations. Over half the state laws establish 8 hours a day, or 48 hours a week or less, as the maximum time a woman may be employed in one or more industries. Nine or more hours a day are permitted by the other state laws, although overtime rates must of course be paid after 40 hours a week in occupations covered by the Fair Labor Standards Act.

Most hour laws for women include other provisions in addition to prescribing the maximum number of daily or weekly hours. About half provide for one day of rest in seven in some or all industries; well over half specify that meal periods varying from twenty minutes to one hour must be allowed, and several require rest periods of ten minutes after a work period of 4 consecutive hours. Thirteen state laws prohibit night work for women in certain industries or occupations, and several others which permit longer hours for day work limit night work to 8 hours.

Table 18 lists the maximum hour provisions in the various state laws for occupations which are largely intrastate and in the main not covered by the Fair Labor Standards Act. A few state laws include manufacturing and other types of employment covered by the Fair Labor Standards Act, but these hour provisions are not shown in the table. Many of the laws exempt certain occupations which are also not covered by the Fair Labor Standards Act. Where the law specifies different standards for different industries, the highest standard—that is, the shortest maximum work period—is shown in the table.

TABLE 18. State Hour Laws for Women, 1950—Maximum Legal Hours for One or More Nonmanufacturing Industries[a]

8-Hour Day, 44-Hour Week	8-Hour Day and/or 48-Hour Week	9-Hour Day and/or 54-Hour Week	10-Hour Day, 54- or 55-Hour Week	10-Hour Day, 60-Hour Week	No Limitations
Oregon	Arizona	Idaho[g]	Delaware	Kentucky	Alabama
	Arkansas	Maine[i]	New Jersey	Maryland	Alaska[b]
	California	Michigan[d]	South Dakota	Mississippi	Florida
	Colorado	Minnesota[h]	Tennessee[i]		Georgia
	Connecticut	Missouri			Hawaii
	District of Columbia	Nebraska			Indiana
	Illinois	Oklahoma			Iowa
	Kansas	Texas			South Carolina
	Louisiana	Vermont[i]			West Virginia
	Massachusetts[c]	Wisconsin[i]			
	Montana				
	Nevada				
	New Hampshire[f]				
	New Mexico				
	New York[d]				
	North Carolina[c]				
	North Dakota[e]				
	Ohio				
	Pennsylvania[f]				
	Puerto Rico[b]				
	Rhode Island[c]				
	Utah				
	Virginia[c]				
	Washington				
	Wyoming				

[a] Occupational coverage of the state laws varies as between states; the provisions shown here are for industries largely intrastate in character and not covered by the Fair Labor Standards Act. However, many of the laws exclude specified occupations which are local in character. Where the law specifies different standards for different industries, the highest standard (that is, the shortest maximum work period) is shown.

[b] Sixty-hour week for domestic employees.

[c] Nine-hour day maximum.

[d] Ten-hour day permitted.

[e] Eight-and-one-half-hour-day maximum.

[f] Ten-hour day maximum.

[g] No weekly maximum.

[h] No daily maximum.

[i] Fifty-hour week maximum.

CHILD LABOR REGULATION[20]

In this country, as in most foreign countries, children were the first workers for whom protection of the state was sought and to some extent attained. It was early recognized that there was no single solution of the child labor problem and that adequate protection for children necessitated a number of diverse requirements, namely, (1) a minimum age below which they should not be allowed to work; (2) a minimum of education which they should acquire before entering employment; (3) a maximum number of hours for their employment; and (4) regulations to protect them against especially hazardous or unhealthful occupations.

Out of these four elements and the attempts to enforce them there has developed a variety of statutes containing age and hour limitations, lists of hazardous employments, and provisions as to documentary proof of age and the issuance and use of employment certificates.

Early Efforts to Regulate Child Labor

Laws relating to child labor were enacted in the six New England States in the middle of the 19th century, and by the end of that century 28 states had some kind of protection for child workers. Most of these laws set a minimum age of 12 years and a maximum workday of 10 hours for children employed in manufacturing.

In 1904 a National Child Labor Committee composed of private citizens was formed, and it undertook a campaign to abolish child labor throughout the country. Largely through its efforts, existing state laws were improved and additional states enacted legislation. In spite of its work, however, only nine states had met all of the Committee's standards ten years after it was organized. The standards included a minimum age of 14 years for employment in manufacturing and 16 years for employment in mining; and for children between 14 and 16 years of age a maximum workday of 8 hours, prohibition of night work, and documentary evidence of age.

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[20] For an historical account of child labor legislation, see chapter by Elizabeth S. Johnson in D. D. Lescohier and Elizabeth Brandeis, *History of Labor*, The Macmillan Company, New York, 1935, vol. iii.

Attempts to Obtain Federal Regulation

Not satisfied with the slow progress of state-by-state legislation, the National Child Labor Committee turned to Congress for action. In spite of the expressed opposition of southern cotton mill manufacturers and other employers, a federal law was enacted in 1916 which made it unlawful to ship in interstate commerce any products which were produced in violation of the specified standards pertaining to the labor of children.

This Act was declared unconstitutional in 1918, by a five-to-four decision of the Supreme Court, on the grounds that the federal government could not use its commerce power to regulate child labor. A second federal law was enacted a few months after this decision; it imposed a tax of 10 percent on the net profits of any concern employing children in violation of the standards established in the Act. In 1922 this law also was declared unconstitutional, the court holding that the taxing powers of the federal government could not be used for child labor regulation purposes.

Advocates of federal child labor legislation thereupon turned their attention to getting an amendment to the federal Constitution. Despite much opposition, Congress in 1924 passed a resolution for a proposed amendment which provides: "The Congress shall have power to limit, regulate, and prohibit the labor of persons under 18 years of age."

Up to 1949 only 28 states had ratified the proposed constitutional amendment but the Fair Labor Standards Act includes provisions concerning child labor employed in interstate commerce or the production of goods for interstate commerce. The Act prohibits the employment of children under 16 years of age in manufacturing and mining, and children between 16 and 18 years of age in all occupations which are especially hazardous. In other occupations children between 14 and 16 may be allowed to work by special certification. Exempted from the federal law are children employed in agriculture outside of school hours, and child performers in motion pictures, theatrical, radio or television productions.

State Child Labor Laws

The provisions in the federal law are strengthened and supplemented by the various state laws which are now in effect. Every

state at the present time has a child labor law regulating the conditions under which employers may hire children and young people, and also a compulsory school attendance law requiring children of certain ages to attend school. However, child labor laws vary considerably as to both the occupations to which they apply and the standards they set up for the employment of minors. Some laws apply to all gainful occupations, others exempt agriculture or domestic service, and still others apply only to specified industries, such as factories or stores. Children who sell or distribute newspapers or other articles on the streets, or work as street bootblacks, are usually subject to special street-trades regulations.

To facilitate enforcement, child labor laws usually require the issuance of employment certificates or work permits which certify that the persons to whom they are issued have met all the requirements of the child labor law regarding going to work. The certificates are usually issued by the superintendent of schools, thus providing an opportunity for the schools to find out why the child is leaving school and seeking employment. Some laws require that the child must pass a physical examination showing that he is fit for the intended work. Under most laws these certificates or permits must be kept on file by the employer while the young worker is employed by him. Age and employment certificates issued under state child labor laws are accepted as proof of age under the federal Fair Labor Standards Act.

Most of the state laws now on the statute books for the regulation of the employment of minors were enacted before the passage of the Fair Labor Standards Act and the Public Contracts Act. For employment covered by these Acts, the standards established by them prevail where state legislation is less restrictive. A number of states, however, have enacted laws which establish higher standards than those provided by the federal legislation. An association composed of state and federal labor officials of the United States and Canada has adopted certain standards for the employment of minors which they would like to see incorporated in the legislation for all the states. How far this has been attained is indicated by the following tabulation, which shows that fewer than one-half of the states have established 16 years as the minimum age for ememployment during school hours.

Major Standards Recommended by the International Association of Governmental Labor Officials for State Child-Labor Legislation and the Extent to Which 1949 State Child-Labor Laws Meet These Standards

	I.A.G.L.O. Standards	Extent to Which State Child-Labor Laws Meet I.A.G.L.O. Standards
Minimum age	*16 years*, in any employment in a factory; 16 in any employment during school hours; 14 in nonfactory employment outside school hours.	22 States and Puerto Rico approximate this standard in whole or in part (Ala., Alaska, Conn., Fla., Ga., Ill., Ky., La., Maine, Mass., Mont., N. J., N. Y., N. C., Ohio, Pa., R. I., S. C., Tennessee Utah, Va., W. Va., Wis.)
Hazardous occupations	*Minimum age 18* for employment in a considerable number of hazardous occupations.	Few, if any, States extend full protection in this respect to minors up to 18 years of age, though many State laws prohibit employment under 18 in a varying number of specified hazardous occupations.
	State administrative agency authorized to determine occupations hazardous for minors *under 18*.	20 States, Alaska, D. C., Hawaii, and Puerto Rico have a State administrative agency with such authority (Ariz., Colo., Conn., Fla., Kans., La., Maine., Mass., Mich., N. J., N. Y., N. C., N. Dak., Ohio, Oreg., Pa., Utah, Wash., W. Va., Wis.)
Maximum daily hours	8-hour day for minors *under 18* in any gainful occupation.	15 States, Alaska, D. C., and Puerto Rico have an 8-hour day for minors of *both sexes* under 18 in most occupations (Calif., Ky., La., Mont., N. J., N. Y., N. Dak., Ohio, Oreg., Pa., Tennessee, Utah, Va., Wash., Wis.) 7 other States have this standard *for girls* up to 18 (Ariz., Colo., Ill., Ind., Nev., N. Mex., Wyo.)
Maximum weekly hours	40-hour week for minors *under 18* in any gainful occupation.	5 States (Ky., N. J., Tennessee, Va., Wis.) Alaska and Puerto Rico have a 40-hour week for minors *under 18* in most occupations; 4 States (La., Oreg., Pa., Utah) a 44-hour week for such minors. 1 of these States (Wis.) has a 24-hour week for minors *under 16;* 6 other States (Ala., Fla., Ga., N. C., R. I., W. Va.,) and Hawaii, a 40-hour week, and 3 others (Miss., N. Mex., N. Y.) a 44-hour week for such minors.

	I.A.G.L.O. Standards	Extent to Which State Child-Labor Laws Meet I.A.G.L.O. Standards
Work during specified night hours prohibited	18 hours of night work prohibited for minors of both sexes *under 16* in any gainful occupation.	11 States Hawaii, and Puerto Rico meet or exceed this standard, at least for most occupations (Iowa, Kans., N. J., N. Y., N. C., Ohio, Okla., Oreg., Utah, Va., Wis.)
	8 hours of night work prohibited for minors of both sexes *between 16 and 18* in any gainful occupation	13 States, D. C., and Puerto Rico meet or exceed this standard, at least for most occupations (Ark., Calif., Conn., Fla., Kans., Ky., La., Mass., Mich., N. J., Ohio, Tennessee, Wash.)
Employment certificates	Required for minors *under 18* in any gainful occupation.	21 States, D. C., Hawaii, and Puerto Rico requires employment or age certificates for minors *under 18* in most occupations (Calif., Conn., Fla., Ga., Ind., Ky., La., Mass., Mich., Mont., Nev., N. J., N. Y., N. C., Ohio, Oreg., Pa., Utah, Va., Wis., and, where continuation schools are established, Okla.). One other State (Ala.) requires such certificates for minors *under 17*. (A few of these States require certificates for minors 18 years of age or over, at least in certain occupations.)

U. S. DEPARTMENT OF LABOR, Bureau of Labor Standards

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Part Three

Labor Unions and Labor-Management Relations

CHAPTER 18

GROWTH OF THE AMERICAN LABOR MOVEMENT

THE URGE TO COMBINE WITH OTHERS FOR MUTUAL PROTECTION AND advancement is an inherent characteristic of human nature. In every form of society persons of similar economic pursuits and needs have tended to unite into associations for the purpose of promoting their common interests. The nature of these associations, and the methods pursued, differ according to the particular needs and desires of the members; they are also affected by legal and other forms of social control. Similar to any other kind of organized effort, the labor movement is an expression of group consciousness of common problems as well as convictions as to the remedies needed.

THE MEDIEVAL GILD—PRECURSOR OF MODERN UNIONISM

A labor union has been defined as "a continuous association of wage-earners for the purpose of maintaining and improving the conditions of their employment." Spontaneous strikes and rebellions of oppressed and dissatisfied workers are as old as history itself, but labor unions are a product of comparatively modern times, since by definition they imply a wage system and more or less permanent and formal organizations of workers. Although there is no generic connection between the modern labor union and the medieval craft gild, there are significant similarities, as to both purposes and the methods by which these purposes were carried out.

The medieval gilds were based on a feeling of scarcity of opportunity. To protect their interests, the gilds brought influence upon

the government to forbid anyone from practicing a trade who was not a member of the gild, and through their strict apprenticeship regulations and their restrictions of "foreigners" from other localities they saw that too many did not become gild members. Their work rules included quality standards to protect them from the competition of inferior workmanship, daily hours were limited, and night and holiday work was forbidden. The gilds, like many labor unions today, also performed certain fraternal functions such as providing financial aid in time of sickness or death of their members.

The medieval gild, however, was composed of both masters and journeymen and there was no conflict of interest between the two because the journeyman was serving a master only temporarily; in a few years he would also be a master and any advantages which he might gain from his master he would in turn have to give to his journeymen. The gild system was concurrent with an economy of local markets and no capital outlay except a few tools and a limited supply of raw materials. The gild was a group of craftsmen banded together for mutual protection and control of the local market. When the market was extended and more capital was needed to care for short credits and finished stock, the industrial grouping changed. The journeyman's opportunity for becoming a master grew more limited, and the great bulk of workers ceased to be independent producers who owned their tools and materials and themselves disposed of the product of their labor. The journeymen came to constitute a distinct and permanent class, and many of them formed gilds of their own as their masters gradually converted the craft gilds into merchant-employer gilds.

The use of power machines and the factory system widened the gap between employers and workers. The factory system, because of the increasing amount of capital required, necessitated combinations of capital resources which were legalized into corporations. The collective action of capital and management extended beyond the confines of a single corporation and found expression in trade and manufacturers' associations, chambers of commerce, and other permanent and *ad hoc* combinations to promote and protect the interests of the investors and managers of capital.

In response, ever seeking a semblance of equality in the bar-

gaining relationship, workers' organizations have expanded both horizontally and vertically. Local unions of skilled craftsmen have grown into national and international unions; workers of all crafts in an industry have united into industrial unions; both craft and industrial unions have formed city, state, national and international federations.

INFLUENCES SHAPING THE AMERICAN LABOR MOVEMENT

A labor movement connotes a continuous association of wage earners for the purpose of improving their economic and social well-being. The motive force and central purpose of the labor movement in this country, as elsewhere, is the improvement of the status of workers *as* workers. Its appeal and challenge is based on the premise that wage earners can and should share in the good things of life while remaining wage earners; that economic well-being and its accompanying social prestige and privileges need not be solely contingent upon becoming an employer or self-employed businessman.

Ever adhering to this general purpose there nevertheless have been many changes in specific aims and procedures of organized labor as a whole, and many differences among its component parts. Upon occasion these differences have lead to schisms, and it could be questioned whether one can accurately speak of "a labor movement" in this country. But despite the changes and diversities in organizational structure and policies which have taken place throughout the years, there has been a common and permanent thread of unity. The cohesive forces have been sufficiently strong and enduring to outlive and outweigh the influences making for disruption, although upon numbers of occasions the presence of conflicting purposes and rivalries have retarded growth and weakened bargaining and political strength. Before going into the factual history let us review briefly some of the diversified and conflicting factors which have been responsible for the shaping of the labor movement in this country.

Labor organizations are an integral part of any industrial society. They emerge with the separation of workers from the own-

ership of the instruments of production and the marketing of their products, the impersonality and subdivision of labor under the factory system, and the competition resulting from widening of markets. These conditions make for class consciousness, but in this country class consciousness of workers did not develop as early as in some other countries with comparable industrial advancement. Nor did national organizations of workers parallel the rapid growth and power of large business corporations. There were several reasons for the relative lack of widespread class consciousness on the part of American wage earners, and the lag in the development of strong national labor organizations.

Geographical and Political Factors

A major factor was the abundance of free land, available almost for the asking, during most of the 19th century. This had a two-way effect. Thousands of discontented workers from the eastern industrial centers who otherwise would have sought redress of their grievances through collective action, migrated westward and became independent landowners. Their departure, in turn, tended to keep down the labor supply in the eastern states, especially of skilled workers, thus improving the individual bargaining strength of those who remained and reducing the pressure for concerted action.

Closely related to the factor of abundant lands for settlement was the rapid growth and geographical expansion of industry which provided opportunities for workers to rise to managerial positions or establish businesses of their own. The growth of business gave sufficient substance to the "American dream of unlimited opportunities" to enable each generation to maintain the hope and expectation of rising out of the wage-earner class. If fathers failed, there was the enduring faith that, given adequate education, their children would succeed. Moreover, the growth in size and sectional diversity of business interests tended to minimize horizontal class loyalties in favor of geographical groups associated with particular economic endeavors. Thus, during the period around the turn of the 20th century, wage earners in the middle west were inclined to identify themselves with agriculture and small business in the fight against eastern bankers and railroad interests. It was a fight against monopoly, but for the purpose of

"freeing" small business and farmers rather than wage earners from monopolistic control. Industrial workers tended to identify themselves with these other groups because of their family ties with farmers—most of them had come to the city from farms and their hope was that they soon would be able to buy farms or establish businesses for themselves. This was in contrast to the situation in Great Britain, for example, where there was little flow of peoples from agriculture to industry and where succeeding generations of industrial workers without the agricultural individualistic background encouraged the growth of class solidarity.

Widespread voting privileges which were early enjoyed by workers in this country served in several ways to lessen their feeling of class consciousness. The very fact that they had the right to vote and participate in political activities tended to make them feel that they were a part of the body politic and not a class separate from the rest of the community. Secondly, unlike the situation in some of the older countries where the franchise was long reserved for the upper economic classes, it was not necessary for the industrial wage earners in this country to organize for the purpose of gaining the right to vote. Popular voting was the heritage of an evolving political democracy rather than a result of economic class struggle.[1] Finally, the opportunity which the ballot gave to workers to express their discontent tended to assuage their desire for more overt and possibly more violent economic action. There was always the hope that campaign promises of justice and equal opportunity for all would be carried out!

Effect of Immigration

A major influence in the development of the American labor movement, as indeed our general cultural and social institutions, was the successive waves of immigrants from the different lands of Europe during the fifty years before the passage of restrictive legislation in 1924. This immigration had contrasting influences

[1] This does not imply that universal suffrage actually exists throughout the United States nor that the suffrage which exists was obtained without struggle. Property qualifications long existed in some of our Eastern states; women suffrage was granted in 1920 after years of agitation; the struggle to remove color restrictions still continues in some of our Southern states. For the most part, however, these efforts to broaden the right to vote do not represent economic class struggle so much as other kinds of group struggles.

upon the attitude and actions of American workers, but its net effect was undoubtedly adverse to the development of the kind of class consciousness which was conducive to the early growth of a labor movement. It tended to accentuate occupational and cultural cleavages rather than to promote unification of all workers. Language differences, racial, religious, and national antagonisms among the various groups of immigrants, and between them and the native born, created formidable barriers to solidarity, and they became active forces against unity under the stimulus of employers who were prone to pit one group against another during strikes and organizational drives, thus utilizing group antagonisms to their own advantage.

It was not only the heterogeneity of the immigrant population but the background from which most of them came which influenced the development of the labor movement. The majority who came to our shores after the 1880's were peasants, used to hard work with meager pay, and with habits of docility and obedience. Most of them were unskilled and even those who had been skilled workers in "the old country" were forced to accept unskilled jobs because of language handicaps. This had a twofold effect: management tended to introduce devices to break down skilled jobs into semiskilled work suitable to their capacities, and the native born, while being pushed up the occupational ladder, were also ever aware of the competitive menace of the newcomers and were thus lead to organize into craft unions with membership confined to skilled workers.

Although the continual stream of immigrants tended to retard a crystallization of working class consciousness, their infusion into the American labor force wrought a positive and at times a decisive influence upon labor union action and policy. Many of the immigrants were persons of native ability and with qualities of leadership. Unable to rise to managerial positions or to political office because of language and prejudice against foreigners, they became leaders in the labor movement. With a background of racial and class oppression and convinced of the necessity for concerted action for the redress of grievances, they provided a vigor and kind of intellectual leadership which had a vital effect upon the basic philosophy and the numerical growth of organized labor.

Such factors as the existence of free lands, a fluid working

population continually augmented by an influx of immigrants, widespread voting privileges, and an expanding economy with its consequent opportunities for individual advancement, were characteristics more or less unique to the American scene. They explain, in part at least, the relative lag in the growth as well as the differences in policies of the American labor movement in contrast to other industrial countries. Fundamentally, however, the world-wide forces set in motion as a result of mechanization of industry, large-scale production and widening of markets, had the same impact upon American workers as those in all other industrialized countries. Even though their standard of living has been generally better than elsewhere, the dream of America as the land of opportunity and abundance has provided the incentive for aggressive and continued efforts toward further advancement.

EARLY HISTORY

Machines and mass production have materially influenced the growth and character of labor organizations but labor unions in this country preceded the factory system. The earliest labor organizations, and some of the strongest today, were established in the skilled handicraft trades. The first organizations of labor in this country appeared among the carpenters, shoemakers, printers, and tailors in the east coast cities during the 1790's. These craft societies bargained over wages and hours, demanded closed-shop conditions, engaged in strikes, boycotts, and picketing, paid strike benefits, regulated apprentices, and employed "walking delegates" to see that the terms agreed upon were enforced. These early workingmen's societies were local in scope, although there was some interchange of information among the societies of a given trade, and some concerted effort to deal with the problem of traveling journeymen who competed with resident workers.

Experiments Early in the 19th Century

As the local craft societies become more numerous and active, more united efforts were made to alleviate some of the worst ills which beset the workingmen of that day. The various societies in the different cities united into "trades' unions" to provide common support during strikes, and frequently maintained a common

strike fund accumulated through per capita taxes from each member society. Paralleling these city combinations, local societies of shoemakers, printers, carpenters, and weavers united into what they called "national" organizations, although in reality their membership was limited to the larger eastern cities. During the "wild-cat" prosperity and rising prices of the middle 1830's, members of these city and craft organizations formed a National Trades' Union. All these organizations, in addition to seeking improvements in wages and hours, were concerned with broad social reforms such as free public schools, abolition of imprisonment for debt, and elimination of property qualifications for voting.

The national organizations as well as most of the local unions collapsed during the panic of 1837 and the ensuing years of business dislocations. New workingmen's organizations appeared during the forties, but these were concerned more with coöperatives, land reform, and general social improvement programs than with bargaining with employers. Numerous local trade unions came into existence with the general expansion of industrial activity and the rising prices that followed the discovery and use of California gold. In contrast to the workingmen's associations established in the forties, the major concern of these local unions was bargaining for better wages and hours. It was during the 1850's that several of our present-day national unions had their beginnings—the typographers, hat finishers, machinists and blacksmiths, and molders. All the labor organizations suffered a serious setback in the depression which began in 1857 when unemployment and wage cuts affected union treasuries and morale.

Post-Civil War Developments

Within a few years after the outbreak of the Civil War, many new local organizations and several national unions came into existence as a means of combating the soaring prices that resulted from the issuing of "greenbacks" and the lag in wage increases. There was a further interest in organization after the close of the war, when returning soldiers found that their skilled hand jobs had been supplanted by factory and machine production, when existing work standards were being menaced by the influx of immigrants willing to work for low wages, and when improved railroad

transportation made it possible for goods manufactured in low-cost areas to be brought to higher wage markets.

Most of the organizations which emerged during the decade following the Civil War were craft unions. A progenitor of the modern industrial union was the Knights of St. Crispin, a shoe workers' union founded in 1869 for the purpose of protecting journeymen against the influx of "green-hands" into their industry. With its 50,000 members, it was probably the largest union in existence at that time, but within a decade the Crispins disintegrated because of drastic wage cuts and the introduction of new machinery which they were unable to prevent.

After several attempts to unite the numerous national and local organizations, the National Labor Union was formed in 1866; it was a loose federation of trade unions and of some reform organizations which were not strictly concerned with labor problems. At first it directed its chief attention toward obtaining an 8-hour day but later it turned more and more to political action and began to espouse varied kinds of reform measures, social and fiscal. Thereupon many of the trade unions became dissatisfied and withdrew. The National Labor Union finally disbanded in 1872, after an unsuccessful attempt to form a National Labor and Reform political party.

The Order of the Knights of Labor

To circumvent employers' lockouts and black lists, workers were led to meet secretly and to organize a type of association so clothed in ritual, sign grips, and passwords that "no spy of the boss can find his way into the lodge room to betray his fellows." One of these organizations was the Noble Order of the Knights of Labor, which was established by some Philadelphia tailors in 1869. Soon the tailors were joined by shoemakers (mostly remnants of the St. Crispin lodges), carpenters, miners, railroadmen, and other organized and unorganized workers.

During the 1880's the Knights of Labor, having revoked its secrecy features, grew into a spectacular mass movement which included workers of all trades and degrees of skill. Discontented farmers, professional persons, and even some employers responded to its appeal for the amelioration of the hardships of the common

man under the rallying cry, "An injury to one is the concern of all." The general and far-reaching aim of the Order was the substitution of a coöperative society for the existing wage system, which it hoped could be attained through education and legislation. More immediately, it sought improvement in wages and hours and the abolition of convict and child labor.

Structurally, the Knights of Labor was composed of local assemblies (organized along either craft or mixed lines), combined into district assemblies[2] which had sole authority within their respective jurisdictions; at the head was the General Assembly, with "full and final jurisdiction." These mixed assemblies bargained with employers and conducted strikes, frequently calling out workers in various trades to aid strikers in a given trade or plant. Through these mixed assemblies, the superior bargaining power of the skilled workers could be utilized to help the unskilled workers.

The Knights of Labor reached its peak following the southwest railroad (Gould system) shopmen's strike in 1885, when for the first time officials of a large corporation met with and negotiated an agreement with the organization. This success brought enthusiastic response from workers throughout the country, and the Knights of Labor membership increased sevenfold within one year. By the autumn of 1886 the Order had over 700,000 members in more than 5500 local assemblies—the equivalent of almost 10 percent of the total industrial wage earners.[3]

Its day of power was brief. Railroad strikes in 1886 met with disastrous defeat, and the united opposition of employers caused the failure of numerous strikes for an 8-hour day which resulted in

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[2] Opposition by some of the trade groups to the mixed district assemblies forced the Knights of Labor to allow these groups to organize into district and national trade assemblies. Thus the telegraphers and the window glass and shoe workers finally obtained national craft autonomy, although the general officers of the Knights of Labor did everything they could to discourage trade autonomy.

[3] Grand Master Workman Powderly said regarding this: "In 1885 we had about 80,000 members in good standing: in one year the number jumped to 700,000, of which at least 400,000 came in from curiosity and caused more damage than good." (Terence V. Powderly, *The Path I Trod* Columbia University Press, New York, 1940.) The newspapers at that time, greatly alarmed over the popularity of the mass movement, quoted a membership of 2½ million.

the disintegration of entire assemblies. Most important was the disaffection of most of the skilled workers, who were leaving the mixed assemblies in the Knights and forming trade unions. By 1900 the Order had practically ceased to exist as a national movement, although a number of local and district assemblies remained active for several decades.

The Knights of Labor was the first national labor organization in this country to be active for more than a year or two and its influence extended beyond its immediate membership and beyond the years of its active national existence. Its chief contribution was education. The workers learned the strength and weaknesses of the one-big-union type of organization, and the general public, as never before, was made conscious of the bitter discontent which existed among large sections of industrial wage earners.

THE AMERICAN FEDERATION OF LABOR

The conflict of interest between skilled craftsmen who worked with tools and the mass of semiskilled and unskilled wage earners led in 1881 to the formation of the Federation of Organized Trades and Labor Unions, which in 1886 became the American Federation of Labor. Samuel Gompers of the Cigarmakers' Union was elected the first president of the Federation and continued in that office, with the exception of one year, until his death in 1924. In contrast to the mixed assemblies of the Knights of Labor, complete autonomy was retained by each organized craft in the American Federation of Labor. Each national union (international if it included Canadian locals) had its own constitution, its own rules for internal government, and its own procedures for dealing with employers. In no case were outsiders—that is, persons not working at the trade but in sympathy with the union's aims—admitted to active membership.

General Policies of the A.F.L.

For fifty years the American Federation of Labor was not only the dominant but practically the sole spokesman of the organized workers in this country. During this half century, while sweeping and fundamental changes were taking place in the nation's eco-

nomic and industrial life, it maintained a consistent course of action and almost never deviated from the general policies adopted during its formative period.

The Federation was established at a time when many persons, both wage earners and intellectuals, believed that the ultimate solution of labor's problems was the elimination of employer-employee classes altogether through the substitution of a new industrial order of either producers' coöperatives or state socialism.[4] This could be achieved only through the solidarity of all workers, skilled and unskilled alike, who would not only engage in piecemeal efforts with individual employers, but also use their united economic and political strength to gain basic and general reforms throughout the industrial system.

The emergence of the A.F.L. represented a decisive defeat for the one-big-union idea by which the superior strength and strategic advantages of the skilled workers could be used economically and politically to benefit the entire working class. Not only was the Federation founded upon the principle of craft autonomy, but it early adopted the policy of concentrating its efforts on the economic front and relegating political action to a minor role. Instead of engaging in political campaigns to obtain laws for the general improvement of working conditions, the A.F.L. and its affiliated unions preferred to rely solely upon collective bargaining with employers. The only governmental assistance they sought was legal protection against actions of employers and public officials (such as court injunctions) which interfered with their freedom to exert the maximum economic pressure to gain better terms in their trade agreements. This was early demonstrated in the methods used to obtain the 8-hour day, discussed in Chapter 16.

[4] Although Marxian socialism had a considerable following, there were many other proposed schemes whereby workers would share in the ownership, management, and profits of business. Similar philosophies were popular among workers in European countries. The French term for labor union, *syndicat,* implies direct action through general strikes and violence, if necessary, to establish control over the means and processes of production—a theory which the French labor movement later abandoned but resumed again during a period after World War II. For a more adequate discussion of this period, see Selig Perlman, *History of Trade Unionism in the United States,* The Macmillan Company, New York, 1923, and Harry A. Millis and Royal Montgomery, *Organized Labor,* McGraw-Hill Book Company, Inc., New York, 1945, vol. iii.

The rise of a labor movement such as the American Federation of Labor resulted in the exclusion of an ever-increasing number of industrial workers from the benefits of unionization. Although the Federation from time to time made efforts to organize particular groups of factory workers, it received lukewarm support and sometimes opposition from it affiliated craft unions, which feared a dilution of their bargaining strength. The A.F.L. type of organization had its advantages, however, for it was no doubt its limited coverage of skilled crafts which enabled it to carry on during periods when other forms of organization were unable to survive.

In contrast to the experience of unions during previous depression periods, the unions affiliated with the American Federation of Labor made substantial gains during the prolonged depression of the 1890's. On the return of business prosperity at the beginning of the present century, there was a further expansion in union organization and in collective bargaining. In the foundry and machinery industries, industry-wide bargaining was established between the unions and the employers' associations. In 1902, with the assistance of a federal government commission, collective bargaining arrangements were begun in the anthracite areas.

Membership in the American Federation of Labor increased from 350,000 in 1899 to over 1,675,000 in 1904, and some two dozen new national and international unions were established. By 1904 there were no less than 90 stable national unions, most of which, except the railroad and postal unions, were affiliated with the American Federation of Labor. With the exception of the mine, brewery, garment, textile, and shoe workers, practically all of them were craft unions. In the local organizations of the garment, textile, and shoe unions, moreover, craft distinctions were usually followed.

Employer Opposition

While the skilled workers in industries characterized by hand tools and small employers were able to establish new unions, factory and mill workers were facing the powerful opposition of large corporations which were assuming an ever-increasing importance in American industry. The American Railway Union, founded by the idealist Eugene V. Debs, was virtually extinguished after the

strike in 1894 in which it faced the combined opposition of the Pullman Company and the Railway Managers' Association.[5]

Two years previously the Amalgamated Iron and Steel Workers, the most powerful trade union in existence at the time, had suffered a disastrous defeat in its strike at Homestead, Pennsylvania, against the Carnegie Steel Company in protest against a wage reduction. Thereafter one large mill after another was put on a nonunion basis. After the formation of the United States Steel Corporation in 1901 and its adoption of a vigorous anti-union policy,[6] the once strong Iron and Steel Workers' Union was practically eliminated from all the major steel concerns in the country.

The influence and prestige of one large corporation were instrumental in driving unionization from the steel industry; in industries made up of many independent companies the employers combined into trade associations to combat the unions. Such organizations as the National Founders' Association, the National Metal Trades' Association, and the Structural Erectors' Association not only refused to enter into agreements with unions but engaged in activities directed toward their complete destruction. Local employers' associations and "citizens' alliances" also came into existence, their chief function being to break up strikes and otherwise aid employers who were having labor difficulties. In 1902 there was organized the American Anti-Boycott Association, a secret body of manufacturers who sought to attack unions through the courts.[7] About the same time the National Association of Man-

[5] The Pullman strike is significant in labor history because of the numerous injunctions issued by the federal courts upon the initiative of the Department of Justice, and because President Cleveland sent United States troops to Chicago in spite of the protest of the governor of the state.

[6] A congressional investigating committee, ten years after the adoption of this policy, said: "The great bulk of American union laboring men in the iron and steel industry understood they were not wanted at the works of the U. S. Steel Corporation. The process of filling the places of these union laborers is interesting and important. . . . Southern Europe was appealed to. Hordes . . . poured into the United States. They . . . knew absolutely nothing about iron and steel manufacture but they were sufficient to fight the labor unions." (House of Representatives, 62nd Congress, 2nd Session, Report No. 1127, p. 128.)

[7] Among the many cases this Association took through the courts was the famous Danbury Hatters' case discussed in chap. 24.

ufacturers, originally organized for purely trade purposes, began to combat trade unions, chiefly through political and legislative means.

Paralleling these positive and belligerent campaigns against unions was the indirect effect of scientific management which was then being popularized by Frederick Taylor and his followers. Scientific management cut into union morale in two ways: The unions' opposition to its implied speed-up and the lessening of job opportunities through improved processes caused many employers to increase their determination to do away with the unions. Second, the wage incentive plans tended to discourage group loyalties and solidarity by encouraging individual workmen to seek better wages through their individual effort on the job, rather than through collective bargaining. The welfare programs which some employers were just beginning to adopt were a further means of winning employees away from "outside" unions.

LABOR DURING WORLD WAR I

The American Federation of Labor's prompt assurance of cooperation with the government upon its entry into World War I smoothed the way for the expansion in union organization which followed. In March, 1917, almost a month before the United States declared war, representatives of most of the unions met in Washington, where they voted unqualified support to the government and drew up a statement of labor's war policy. This statement expressed the demand that the organized labor movement be recognized by the government as the representative of all wage earners, including those "who have not yet organized," and that organized labor be given representation in all agencies determining and administering policies of national defense.

Government Labor Policy

The principle of labor representation on government committees was accepted. Never clearly defined was the policy with respect to organized labor's status in private industry—even in those industries upon which the government was directly dependent for carrying on the war. The Council of National Defense accepted the

principle adopted by its labor advisory committee,[8] that "neither employers nor employees shall endeavor to take advantage of the country's necessities to change existing standards." The Secretary of Labor explained this as meaning that "where efforts to organize the workers are not interfered with and where a scale of wages is recognized that maintains the present standard of living . . . for the time being no stoppage of work should take place for the purpose of forcing recognition of the union." The National War Labor Board, which was established in the spring of 1918, adopted a more positive policy, namely, that "the right of workers to organize in trade unions and to bargain collectively, through chosen representatives, is recognized and affirmed. This right shall not be denied, abridged, or interfered with by the employers in any manner whatsoever."

Accompanying this positive declaration, however, was the statement that "the workers, in the exercise of their right to organize, shall not use coercive measures of any kind to induce persons to join their organizations, nor to induce employers to bargain or to deal therewith." Another statement specified that employers were not required to deal with union representatives who were not employees of the company unless this had been the practice previously. This latter provision opened the way for the rapid growth of employees' works councils, which became a formidable rival of trade unions. These works councils (later more generally called employee representation plans or company unions) multiplied rapidly, some being installed by employers to avoid dealing with trade unions, others being established by award of government boards as an expedient compromise with firms which would have no other form of collective dealing.

In spite of this encouragement of the works councils, distinct advantages to trade unions resulted from the adoption of the principle of collective bargaining by this first National War Labor Board. With jobs plentiful enough to remove the fear of discharge and with sufficient grounds for discontent to encourage workers to

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[8] The Council of National Defense was established by the Army Appropriation Act of December, 1916. Early in 1917 an advisory committee on labor was established with Mr. Gompers as chairman; it consisted of over a hundred representatives of labor, capital, and members of organizations interested in social and industrial problems, as well as government officials and specialists.

seek to better their wage and hours, the established unions were able to carry on successful organization drives. Except in the steel industry, the unions connected with most of the industries important to the war effort made significant gains. The building- and metal-trades unions expanded and, on the intervention of the government, recognition was obtained from the large meat packers. The seamen were successful in getting agreements everywhere except on the Great Lakes, and the bituminous coal miners were able to extend their central competitive agreement into other areas. The shipbuilding unions obtained recognition, and the railroad brotherhoods were equally successful during the period the government took over the operation of the railroads.

Industrial Workers of the World

While the American Federation of Labor and the railroad unions were making notable gains, the war witnessed the virtual disappearance of the rival labor movement which had been active during the decade preceding the war, the Industrial Workers of the World. This organization, formally launched in 1905, was a "one big union" made up of the Western Federation of Miners[9] and the hitherto unorganized migratory workers of the wheat fields and lumber camps of the Northwest. It was a direct-action movement which was opposed to the signing of collective bargaining agreements with employers. Although its long-time program sought the substitution for the existing government, of a workers' society in which the unions would own and operate all industry, its immediate efforts were directed toward improving conditions on the job.

At first largely confined to the unskilled workers of the West and Middle West, in 1912 the Industrial Workers of the World expanded into the East, especially among the foreign-born, low-

[9] A metal miners' union organized in 1893. Its many bitter strikes against strongly organized employers who frequently had the active support of the sheriffs and other local government officials had made many of its members antigovernment. The more conservative faction gained control of the union in 1907 and the Western Federation of Miners withdrew from the Industrial Workers of the World. For more complete information on this movement, see Paul F. Brissenden, *The Industrial Workers of the World, a Study in American Syndicalism,* Columbia University Press, New York, 1920; John Gambs, *The Decline of the I.W.W.,* Columbia University Press, New York, 1932; and Ralph Chaplin, *Wobbly,* Chicago University Press, Chicago, 1948.

wage textile workers. These campaigns, however, resulted in no lasting organizations although the lusty intervention of the I.W.W. was instrumental in gaining some victories in a number of widely publicized strikes such as those of the textile workers in Lawrence, Massachusetts in 1912 and Paterson, New Jersey, in 1913, and the Louisiana lumberjacks the same year. In Chicago[10] and further west the I.W.W. continued to expand until our entry into the First World War.

Many of the I.W.W. members, including most of the leaders, refused to register for the draft. As a consequence of its antiwar position, the members were suspected and accused of acts inimicable to the pursuit of the war program, although the organizers maintained that their numerous strikes were directed toward improving working conditions. Through action on the part of both the federal Department of Justice and local governments, most of its leaders were imprisoned[11] and its headquarters were closed sub-

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[10] Chicago served not only as the editorial headquarters for the national organization but also as the local center for the midwest migratory workers. A former I.W.W. leader gives this description of the Chicago headquarters and its environs: "In the busy season the streets were swarming with migratory workers resting up between jobs or ready to ship out—loggers, "gandy-dancers," lake seamen, harvest hands. . . . In prosperous times as many as a million men a year were cleared for seasonal jobs in all industries and in all parts of the country. In hard times it took on the characteristics of a labor ghetto. . . . Our general headquarters dominated the "skid road". . . The old hall on Madison Street was full to overflowing day and night. There were big blackboards on the walls on which jobs throughout the harvest fields were listed. . . . The windows were ablaze with red lettering and a big I.W.W. emblem. Every migratory worker on the "skid road" wore a Wobbly button, and there were I.W.W. stickerettes on every lamppost. Open air meetings were blocking traffic. Halls weren't large enough to accommodate crowds that turned out for Wobbly meetings and entertainments. The revolution was on! . . . Now at last, we were in a position to start 'building the structure of the new society within the shell of the old'!" (*Wobbly*, pages 86–87, 198–199.)

[11] In September, 1917, agents of the Department of Justice made simultaneous raids of offices of the I.W.W. throughout the country and entered many members' homes without warrants to seize records and literature. Hundreds of members were indicted for violation of the Federal Espionage Act and sentenced to Leavenworth for terms of from one to 20 years. In 1919 a number were temporarily released on bail, including Secretary-Treasurer William ("Big Bill") Haywood. Haywood jumped his bail and went to Moscow where he lived until his death in 1928. His friends maintained that Moscow promised him that they would send some of the confiscated Russian crown jewels to this country to pay his bondsmen but that Moscow failed to keep its promise. By 1924 the sentences of practically all the I.W.W. prisoners were commuted.

sequent to our entry into the war. In the Northwest logging camps, where it had been most active, a representative of the War Department was successful in replacing the I.W.W. with an organization composed of both workers and employers—the Loyal Legion of Loggers and Lumbermen—which remained in existence for more than twenty years. However, in the lumber towns and elsewhere on the Pacific coast, the I.W.W. continued to be active throughout the war and took a prominent part in the numerous strikes following the armistice. During the tensions and hysteria of the postwar period, hundreds of its leaders were arrested under the criminal syndicalism laws. As a result of the legal suppression campaigns, as well as internal factional dissensions, the I.W.W. lost all vitality as a general movement. Many of its most militant leaders joined the newly formed American Communist Party.

STALEMATE OF THE TWENTIES

The close of the war in 1918 brought an end to active government participation in labor relations, as well as the unions' release from the wartime restraints. With the continued expansion in business and the rise in living costs following the signing of the Armistice, workers continued to join the unions in increasing numbers. In 1919 and 1920 more than one and a half million joined the various unions, bringing the total membership to over 5 million. This represented a peak not surpassed until 1937.

Postwar Adjustments

The unions' efforts to expand collective bargaining and raise wages led to many bitter disputes. The industrial unrest and the difficulties incident to getting industry back on a peacetime basis caused President Wilson in October, 1919, to call a conference of representatives of employers, labor, and the public to "discover such methods as had not already been tried out of bringing capital and labor into close coöperation." The conference immediately split on the question of collective bargaining and trade unions. Mr. Gompers submitted an eleven-point resolution, the first of which was the right of wage earners to organize into unions and to bargain collectively. The employer group adopted a resolution including "the right of employers to deal or not to deal with men or

groups of men who are not their employees," stating that the arbitrary use of collective bargaining "was a menace to the institution of free peoples." The representatives of the public endorsed the principle of collective bargaining but insisted that employee representation groups be included as proper collective bargaining agencies. Unable to arrive at any common agreement on the fundamental basis of all employer-employee relations, the conference broke up within a few days.

The Open-Shop Movement

Following this conference, employers throughout the country started a movement to destroy unionism. Manufacturers' associations, boards of trade, chambers of commerce, builders' associations, bankers' associations, so-called "citizens' associations," and even a farmers' organization—the National Grange—united in a program, which they called the "American Plan," to save workers from "the shackles of organization to their own detriment."[12] Open-shop organizations were established in practically every industrial center in the country. In addition to conducting "patronize the open-shop" campaigns, these organizations extended direct aid to employers such as maintaining black-lists of union members and furnishing money, spies, and strikebreakers to employers involved in strikes.

Union after union lost its war and postwar gains under the combined onslaught of the antiunion drives and the wage cuts introduced during the postwar depression of 1921–1922. Early in 1921 the "Big Five" packing companies declared that they no longer would be bound by the union agreement and the labor administrator they had reluctantly accepted during the war, and the packing industry once again became open shop. A few days prior to the expiration of the seamen's agreement in 1921, the United States Shipping Board and private shipowners demanded the abolition of the three-watch system and the withdrawal of union preferential hiring. The two-month strike following this demand was lost; seamen returned to the 12-hour day, 84-hour week, and the once powerful seamen's union was soon reduced to less than one-fifth its former size.

Even the strongly organized building trades did not escape the

[12] From a statement of policy of the American Bankers' Association in the

antiunion drives. When the building-trades' unions in San Francisco rejected a wage reduction, employers conducted a general lockout until the workers returned under open-shop conditions. In Chicago, a citizens' committee organized by the Illinois Manufacturers' Association and the Chicago Chamber of Commerce was successful for several years in compelling unions and builders to maintain an open shop and to accept the wage rates determined by an arbitrator.

Efforts to break up the unions failed in a few industries, notably in the book and job printing industry and in the New York men's and women's clothing industry, where the unions were forced to engage in prolonged strikes in order to maintain their collective bargaining relations.

In spite of occasional victories for the unions, the employers' open-shop drives, aided by the postwar depression, resulted in large losses to organized labor. Union membership dropped from a peak of over 5 million in 1920 to 3½ million in 1924 and, contrary to all similar experience in the past, continued to decline after the return of business prosperity.

Welfare Capitalism

The chief reason for the absence of trade union growth during the 1920's was the failure to organize the expanding mass-production industries. New machines and processes were substituting semiskilled machine tenders for skilled craftsmen working with tools. The bulk of the trade unions were composed of skilled craftsmen, and few of them made any serious attempts to broaden their field of interest to include the new type of factory worker. Whole industries, such as automobile and rubber, remained untouched; in others, such as steel, electrical products, furniture, and glass manufacture, only a fraction of certain groups of skilled workers belonged to any union.

Even if energetic organizing efforts had been undertaken, the response of many of these workers at that time might have been lukewarm, especially those in the newer expanding industries where relatively high wages were paid and where increasing production softened the incidence of technological displacements. The comparatively high wages received by these workers were not diluted by rising costs of living, for the prices which workers paid for what they bought remained stable through this period. If there had been

a marked increase in the cost of living, no doubt many of the unorganized workers would have sought the assistance of already established unions or formed new ones, just as they had in the past when prices were rising.

It was in these industries, characterized by large corporations, that management was most active in the adoption of programs which many employers felt made unions unnecessary. The twenties marked the peak of welfare activities, when employees' pension plans, group life insurance, and medical services were offered by employers as security against the unavoidable hazards of life, when professional personnel managers were engaged to handle the grievances and problems arising on the job, and when plant baseball teams, glee clubs, and dances provided recreation off the job. To create an attitude of partnership with management, employee stockownership was encouraged and sometimes required.[13]

As a further substitute for trade unions, a number of employers established works councils or employee representation plans. The number of workers covered by such plans increased from less than 700,000 in 1922 to over 1,500,000 in 1928.[14] Many of these company unions were established after an unsuccessful strike by trade unions. Shop councils were established on the Pennsylvania and a number of other railroad systems following the shopmen's strike in 1922; the General Electric Industrial Representation Plan was established subsequent to numerous strikes of the metal workers' unions; and some of the larger New England textile mills adopted employee representation plans as an aftermath of strikes by the textile unions.

Union-Management Coöperation

In response to the challenge offered by personnel managers and by company unions, a number of the trade unions adopted pro-

[13] The National Industrial Conference Board (*Employee-Stock Purchase Plans in 1928*) estimated that in 1928 over a million employees owned or had subscribed for over a billion dollars' worth of securities of the companies by which they were employed. In over 315 companies which reported having employee-stockownership plans, 30 percent of the employees were stockholders. All the employees of the Firestone Tire and Rubber Company, and 70 percent of those of the International Harvester Company, owned company stock.

[14] National Industrial Conference Board, *Collective Bargaining Through Employee Representation*, New York, 1933.

grams of union-management coöperation. The first such plan on a broad basis was entered into by the Baltimore and Ohio Railroad and the Machinists' Union soon after the railroad shopmen's strike in 1922, and was later accepted by other shop crafts and several other railroad systems not already entrenched in company unionism. The coöperative machinery provided for local, regional, and system joint committees of union representatives and supervisors, which not only handled employee grievances but discussed all questions and problems relating to the greater efficiency and improvement of railroad service. Similar arrangements were entered into by the Association of Street and Railway Employees and the Philadelphia Rapid Transit Company whereby, under the Mitten Plan, the union shared with management the responsibility for promoting efficiency and reducing operating costs.

The Amalgamated Clothing Workers' Union was an outstanding example of a union's willingness to share in management responsibility. Employers were persuaded to allow union experts to go into the shop in order to reorganize the flow of work, subdivide processes, establish production standards, and even substitute machines for hand labor. When such innovations resulted in reductions of the staff, dismissal wages were sometimes provided for the employees laid off; in other instances, such workers were transferred to other plants by the union's centralized hiring hall. In addition to these aids for improving the competitive position of individual firms, the union sometimes loaned money to enable employers to stay in business.

Another instance of union-management coöperation took place in the coal industry. As an aftermath of a bitter strike in the Colorado coal fields in 1927, the United Mine Workers accepted the offer of one of the companies, the Rocky Mountain Fuel and Iron Company which was friendly to union organization, to coöperate with management in order to obtain maximum efficiency so that the company might compete successfully with neighboring nonunion mines which paid lower wages. Later, coöperative relations progressed to such an extent that the union undertook sales promotion campaigns to bring more business to the company.

Union motives for entering into coöperative plans with management were twofold. They believed that efficiency provided the key to higher wages, and they also hoped that their endorsement of

such programs would encourage nonunion employers to welcome unionization. During this period when the unions were unable to win new members through the customary organization drives, many of them adopted the "front-door" approach; that is, organizers went directly to employers and sought closed-shop contracts in return for promises of a more efficient and stable work force. Very few employers responded to this approach, and where unions were accepted on this basis, they usually lost vitality as employee organizations and became, in essence, little more than company unions.

Left-Wing Movement

The close of the First World War and the return to "normalcy" ushered in a period of decline for the regular labor movement. A year before the signing of the armistice the Russian revolution had taken place which had immediate reverberations in this country. One was a solidifying of various left-wing groups—syndicalists, anarchists, radical socialists—with a focus toward Russia. The American Communist Party was formally launched in 1920 and its members were ordered by the Communist International to join the unions of their craft and propagandize for the Party and for revolution. This "boring from within" was done under the aegis of the Trade Union Educational League established by William Z. Foster, later president of the American Communist Party, although he had disclaimed communist affiliation when conducting the 1919 general steel strike.

The Trade Union Educational League was vigorously opposed by the American Federation of Labor and it never gained much headway. Unsuccessful with boring-from-within methods, the party in 1928 established the Trade Union Unity League which was frankly a dual labor movement. Capitalizing upon the discontent of many workers who were dissatisfied with the passive role of the American Federation of Labor and the restrictive membership of the craft unions, the T.U.U.L. met with some success in some industries. It organized a number of industrial unions, the most important being in the mining, textile, and needle industries.

The National Miners' Union was active during the coal strikes in 1931, especially in and around Harlan County, Kentucky. Most of these coal strikes ended in defeat, the few settlements which were

made being negotiated with the older United Mine Workers. The National Textile Workers' Union conducted a number of organization strikes among southern textile workers, the best known of which occurred in Gastonia, North Carolina. The establishment of a Needle Trades' Workers Industrial Union marked the culmination of years of bitter strife in the Ladies' Garment Workers. Although the League was active for a few years in these areas, its total membership was probably never over a hundred thousand.

In 1934 the Party decided it was better strategy to give up dualism and resume "boring from within." The League was dissolved as a separate organization and its members reëntered their respective unions. Before this took place, momentous changes were already underway within the main stream of the labor movement.

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CHAPTER 19

THE LABOR MOVEMENT TODAY

UNION MEMBERSHIP HAD DECLINED TO 3½ MILLION BY 1929 AND was reduced another half million during the ensuing depression. From a low ebb of less than 3 million members in 1933, union organization has developed into a dynamic and expanding movement which now includes almost 15 million members. While a sympathetic government and favorable economic conditions provided the opportunity for this expansion, the workers themselves have been responsible for the actual growth in numbers and influence. Given an even break by the law and public opinion, large masses of workers have shown a spontaneous desire toward an organized effort to improve their condition of life, and vigorous labor leadership has come to the fore.

Threshold of the New Deal

The unfolding events of the New Deal period, and their impact upon the labor movement, can be appreciated only in the light of the milieu from which they developed. The situation confronting workers in their efforts to organize and to bargain collectively before the dramatic political and social upheaval during the 1930's has been summarized thus:

> The workers were free to bargain collectively; their right to organize and bargain collectively was recognized and repeatedly affirmed by legislatures and by courts. Their right to strike was also recognized, though, as we have seen, it was by no means unqualified. But the rights of employers and non-union workers were also recognized and affirmed. Non-union workers had the right to get and hold jobs; employers had the right to use yellow-dog contracts, to hire and fire for any or no reason, and to organize company unions. They also had the right of access to the commodity and labor markets, the right to operate their plants, and the general right to do business.

Now these rights of workers and employers were bound to come into conflict. And the courts who were supposed to enforce the rights of both groups very frequently had to decide which rights to enforce. On the whole, their decisions in such cases tended to favor the employers, largely because their rights were better understood by lawyers and judges, and were more susceptible of protection through court proceedings.

The right to bargain collectively certainly includes the right to join a union. Yet the protection of this right by forbidding discriminatory discharges and yellow-dog contracts was held to be an infringement of the employer's right to hire and fire. . . . While the courts enforced yellow-dog contracts which enabled employers to maintain *shops closed to union labor,* they often held illegal strikes to secure *shops closed to non-union labor.* Again, collective action by workers cannot be effective unless it extends beyond the confines of a local craft union. Yet the courts, ignoring economic realities, condemned many kinds of sympathetic action on the ground that these workers had no legitimate interest in the dispute.

Collective action by workers is more likely to interfere with the rights of the public than are the methods which employers use to combat it. Pickets must use the streets, agitation may lead to violence; but the firing of employees or the procuring of new ones is but an incident to the regular conduct of business. Hence the courts were more likely to interfere with the activities of workers.

Injunctions theoretically could be used to protect workers' rights as well as employers'. But the injunction can only be used to protect property rights from irreparable injury. For the most part, workers' rights were not recognized as property rights which could be protected in this way. . . . Thus in actual practice the law operated to protect those employers who strove to prevent organization among their workers, who refused to bargain collectively, or who were trying to break a strike. The workers had the right to bargain collectively, but in seeking to achieve this end they were allowed to use only those methods which did not interfere with the rights of employers and of non-union workers.[1]

These concepts of "rights" and the court decisions which resulted from them did not go unchallenged. Large sections of the general public became more and more aware that the uneven hand of the law was suppressing many laudable purposes of organized

[1] J. R. Commons and J. B. Andrews, *Principles of Labor Legislation,* Harper & Brothers, New York, 1936, pp. 417–419.

workers and interfering with their basic right to improve their working conditions. Public recognition of the need for a counterpoise was evidenced by the passage of the Norris-LaGuardia Act in 1932, which placed strict limitations upon the injunctive powers of the Federal courts and made yellow-dog contracts illegal.

LABOR AND THE NEW DEAL

Although the Norris-LaGuardia Act foreshadowed the legislation which was to come, the New Deal's influence on the progress of union organization amounted to much more than placing ad-

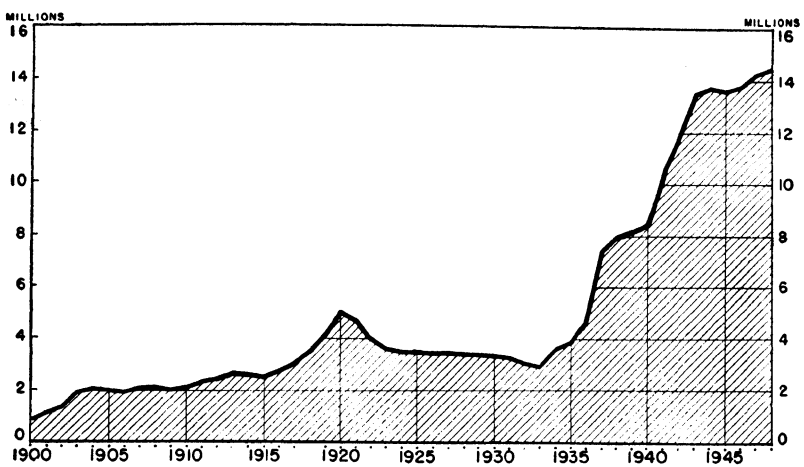

FIG. 28. *Union Membership in the United States, 1900–1950.*

ditional and strengthened laws on the statute books. Experience with similar legislation at the hands of the courts in the past made for a good deal of skepticism regarding the outcome of the Norris-LaGuardia Act at the time it was enacted. It was not until after the Supreme Court, in 1937, had taken cognizance of the change in public opinion which had occurred under the New Deal that any kind of labor legislation was reasonably secure from judicial invalidation.[2] Just a year previously it had stated that "the relation

[2] Regardless of the merits of President Roosevelt's efforts to "pack the Supreme Court," there is no doubt that his threat to increase the personnel of the court caused a drastic change in the attitude of its members toward all

of employer and employee is a local relation and consequently beyond the scope of Federal jurisdiction . . . the relation of employer and employee, at common law, is one of domestic relations . . . the powers which the general government may exercise are only those specifically enumerated in the Constitution, and such implied powers as are necessary and proper to carry into effect the enumerated powers. . . ."[3]

The National Industrial Recovery Act

The first legislation under the New Deal government which directly affected organized labor was the National Industrial Recovery Act, enacted in June, 1933. Its purpose was to restore employment and purchasing power. In addition to an extensive public works program, the Act provided that each industry establish codes of fair competition which were to include minimum working standards. Labor was given only an advisory status in the preparation of the codes, although in a few instances, such as clothing and mining, the union representatives were active in determining the labor terms and in seeing that they were enforced. A majority of the codes, however, were prepared with a minimum of worker participation.[4]

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types of labor legislation—wage and hour controls as well as protection for collective bargaining. During the turmoil over the court-packing threat, in the spring of 1937, the Supreme Court declared three basic types of labor legislation to be constitutional, namely, the National Labor Relations Act, the Social Security Act and the Washington State minimum wage law for women. The preceding year it had declared unconstitutional not only the labor provisions of the National Coal Conservation Act but also the New York state minimum wage law which was similar to the Washington law. Actually, the change in opinion of the court during these few months represented a change in attitude on the part of only one or two justices, most of the cases in both years being five-four decisions.

[3] Carter *v.* Carter Coal Co. *et al.*, 298 U. S. 238 (1936). This decision invalidated the 1935 National Bituminous Coal Conservation Act and, in effect, held that Congress has no power to regulate wages, hours of labor, and working conditions in an industry not directly engaged in interstate commerce; it declared that "mining is not interstate commerce, but, like manufacturing, is a local business."

[4] After a code was drawn up by the proper trade association, public hearings were held by the Code Administrator, at which any labor representative could appear. As a further protection, a Labor Advisory Board, appointed by the Secretary of Labor, was responsible for seeing that every labor group affected, organized or unorganized, was represented at such hearings.

Of vital significance to organized labor was Section 7a of the Act, which required that each code contain the provision that "employees shall have the right to organize and to bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers . . . in the designation of such representatives. . . ." Labor boards were created to handle disputes arising over the interpretation of this section and to conduct elections to determine bargaining representation.

A wave of union activity followed in the wake of the passage of the National Industrial Recovery Act. Much of this was the result of the planned efforts of unions which sought to organize the open-shop areas in their industries. In many nonunion industries and regions, however, the urge to organize emanated from the workers themselves, with union organizers in many instances unable to keep up with the demands made upon them. The biggest gains were made by the mine workers' and the men's and women's clothing unions. For the Amalgamated Clothing Workers the increase represented the regaining of depression losses and some extension into previously unorganized areas. But both the Mine Workers and the Ladies' Garment Workers had suffered such severe losses during the 'twenties that the gains made under the National Industrial Recovery Act signified the virtual revival of these unions.

As a result of the twenty-two months' activity under the Act, membership in American Federation of Labor unions increased over 40 percent. In 1935, for the first time since 1922, their total paid-up membership exceeded 3 million. The Railroad Brotherhoods, benefiting from the 1934 amendment to the Railway Labor Act, also expanded. Organized labor as a whole not only recouped its depression losses and regained some of the following it had lost during the 1920's, but began to enter a few of the hitherto nonunion industries. Scattered local unions appeared among the mass-production industries and even among white-collar and agricultural workers.

Company Unions Under the National Industrial Recovery Act

During this time of union revival and expansion, many employers were active in setting up their substitute for trade unions, namely, company unions. Although Section 7a was interpreted by labor to mean the legal right of being represented by unions which

were coextensive with employers' trade associations, many employers insisted that dealing exclusively with their own employee representatives fulfilled the requirements of the law about bargaining collectively and that the workers' freedom "from interference, restraint, and coercion" did not preclude assistance from employers in establishing and maintaining company unions. Accordingly, employee representation plans which had been formed before the depression and had become moribund were revived, and new ones were established. Trade associations and employers' counselors not only prepared model plans for their clients, but maintained experts to assist companies in getting them started and keeping them active.

By the spring of 1934, probably one-fourth of all industrial workers were employed in plants which maintained company unions.[5] Almost two-thirds of these unions were established while the National Industrial Recovery Act was in force—a majority of them after a strike had taken place or a trade union had made headway in the plant. Most of the larger steel, rubber, petroleum, and chemical companies had company unions, as well as many of the utility companies and manufacturing concerns of all kinds. A good deal of the time of the National Recovery Administration labor boards was devoted to the disputes arising from the conflicting claims of unions and employers over the interpretation of Section 7a with respect to company unions.

Growth of Unions Under the National Labor Relations Act

The protections afforded labor under the National Industrial Recovery Act had become sufficiently acceptable to induce Congress, a few months after the Supreme Court's invalidation[6] of that Act in May, 1935, to enact a law exclusively dealing with labor's rights and privileges. The National Labor Relations Act guaranteed employees "the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted

[5] See Bureau of Labor Statistics, *Characteristics of Company Unions*, Washington, 1935.

[6] When the labor provisions of the N.I.R.A. are under consideration it must be remembered that the other clauses of the Act providing for codes of fair competition accorded certain rights of collective action to employers which were long forbidden under the antitrust laws. It was the price-fixing and similar features of the Act which were the points at issue in the Schechter case when the Supreme Court nullified the law.

activities for the purpose of collective bargaining or other mutual aid or protection." But passage of a law does not always insure immediate observance, and for almost two years the operation of this Act was seriously impeded by the resistance of many employers who were firmly convinced that the Act would be invalidated in the courts. Its constitutionality was affirmed by the Supreme Court in April, 1937, and a number of Supreme Court decisions thereafter clarified the coverage of the Act and strengthened the power of the board created to enforce it.

The National Labor Relations Act signified governmental assistance of the first magnitude to organized labor. National unions successfully entered the mass-production industries such as the steel, automobile, rubber, and electrical products industries. Workers in industrial centers in the southern states, as well as in many of the smaller communities in the northern states, were aroused to trade union consciousness for the first time. Union organization made some headway among agricultural hired laborers, sharecroppers, and cannery workers. Coal miners were organized in sections where formerly employer hostility, aided by local government officials, had been an effective barrier against unionization. Interest in organization extended into certain groups of white-collar workers, such as newspaper reporters, as well as office workers and retail clerks in some cities. Unions expanded among federal government workers and were established for the first time for many state and local government employees.

These organization drives were accompanied by many strikes, some of which were called as a means of rallying workers to the unions, while others were resorted to when employers refused recognition after the union had obtained majority representation. Most of these strikes took the conventional form of a walkout with picketing. A considerable number, however, were sit-down strikes and these received a great deal of adverse public criticism.

THE CONGRESS OF INDUSTRIAL ORGANIZATIONS

Concurrently with the passage and validation of the National Labor Relations Act, momentous changes had taken place within the labor movement itself. Since the beginning of the labor move-

ment there have been differences of opinion as to whether unions should be organized along occupation or craft lines, or whether they should be coterminous with the industries concerned. The American Federation of Labor unions were predominantly craft organizations, although some were established on an industrial basis, and others gradually expanded their coverage to include most or all of the employees within a plant or industry regardless of occupation.

When the organization of the mass-production industries was undertaken during the National Recovery Administration, the issue of craft versus industrial unionism became acute. At the 1934 A.F.L. convention a resolution was adopted which recognized that there had been "a change in the nature of the work performed by millions of workers in industries which it has been most difficult or impossible to organize into craft unions." The same resolution stated, however: "We consider it our duty to formulate policies which will fully protect the jurisdictional rights of all trade unions organized upon craft lines." The controversy came to a head at the 1935 convention, when the industrial union resolution was defeated, and when jurisdiction coextensive with the industry was denied the rubber, automobile, radio, and other unions.

A month after this convention the presidents of eight A.F.L. unions, under the leadership and driving force of John L. Lewis,[7] created a Committee for Industrial Organization "for the purpose of encouraging and promoting the organization of the unorganized workers in mass-production and other industries upon an industrial basis." During the ensuing months other A.F.L. unions joined the Committee, and membership was later augmented by new groups which had never before been organized, as well as unions not affiliated with the A.F.L.

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[7] John L. Lewis, president of the United Mine Workers, became the first president of the C.I.O. He resigned following the 1940 national elections after he failed to divert labor's support of President Roosevelt. A few years previously, Lewis had been a vigorous supporter of Roosevelt, and the United Mine Workers had contributed a half million dollars to the 1936 Roosevelt campaign. The subsequent estrangement has been attributed to the fact that Roosevelt refused "to come across" on all the demands Lewis made upon him, and which Lewis felt he was entitled to because of his campaign support. Lewis continued to oppose Roosevelt in 1944 as well as Truman in 1948, but a large majority of the mine workers nevertheless voted the Democratic ticket in both elections.

The A.F.L. interpreted the formation of this Committee as "dual in character and as decidedly menacing to its success and welfare." Persons within and outside the labor movement, including the Secretary of Labor and President Roosevelt, attempted to heal the breach, but without success; and in May, 1938, the A.F.L. expelled the unions participating in the Committee. A few months later, the 32 national unions, together with the city and state bodies then forming the Committee, met in constitutional convention and established the Congress of Industrial Organizations.

The formation of the C.I.O. caused a spectacular growth in unionization of the mass-production industries. But the dynamics and influence of the new labor movement extended beyond its immediate membership. Many of the older craft unions, responding to the challenge of the newer unions, extended their jurisdictions to include semiskilled and unskilled workers and in many plants functioned as industrial unions.[8] Likewise the boldness and vigor displayed by some of the new leaders in the C.I.O. have influenced other union leaders to strive for greater gains for their members.

At the time of the attack upon Pearl Harbor, unions affiliated with the C.I.O. had become well established in all the major steel, automobile, rubber, and other mass-production plants, and, as war production expanded, both A.F.L. and C.I.O. unions were able to obtain contractual relations in the new aircraft, shipbuilding, maritime, and other war plants.

WORLD WAR II AND ITS AFTERMATH

All branches of organized labor took an active part in many phases of the war production program. At the outset, President Roosevelt indicated that the safeguards afforded labor by the National Labor Relations Act, the Fair Labor Standards Act, and the Public Contracts Act were not to be sacrificed but rather to be utilized to strengthen morale and improve productive efficiency. Representatives of organized labor served on both the War Production Board and the War Manpower Commission.

Maritime unions coöperated with the Maritime Commission and

[8] When the craft unions first began to enroll production workers and others who had not served an apprenticeship, they were sometimes classified as "B" members without full voting rights. This policy has been largely discontinued.

the Labor Department in working out plans for war risk insurance, as well as means for manning newly acquired merchant vessels. The building and metal trades and other unions assisted in supplying skilled workers as instructors in the newly established training centers. The Treasury Department sought the assistance

TABLE 19. Union Membership in the U. S., 1900–1949[9]

Year	Average Annual Membership	Year	Average Annual Membership	Year	Average Annual Membership
1900	868,500	1917	3,061,400	1934	3,608,600
1901	1,124,700	1918	3,467,300	1935	3,890,000
1902	1,375,900	1919	4,125,200	1936	4,700,000
1903	1,913,900	1920	5,047,800	1937	7,400,000
1904	2,072,700	1921	4,781,300	1938	8,000,000
1905	2,022,300	1922	4,027,400	1939	8,200,000
1906	1,907,300	1923	3,622,000	1940	8,500,000
1907	2,080,400	1924	3,536,100	1941	10,500,000
1908	2,130,600	1925	3,519,400	1942	12,000,000
1909	2,005,600	1926	3,502,400	1943	13,500,000
1910	2,140,500	1927	3,546,500	1944	13,750,000
1911	2,343,400	1928	3,479,800	1945	13,600,000
1912	2,452,400	1929	3,442,600	1946	13,800,000
1913	2,716,300	1930	3,392,800	1947	14,400,000
1914	2,687,100	1931	3,358,100	1948	14,600,000
1915	2,582,600	1932	3,144,300	1949	14,700,000
1916	2,772,700	1933	2,973,000		

of the unions in the sale of war bonds. Under the auspices of the War Production Board, labor-management committees were established in hundreds of plants for the purpose of "meeting such problems as the maximum war use of the equipment and manpower of every shop and factory, the spreading of war orders, the orderly transfer and retaining of workers for war jobs, the conver-

[9] 1900–1935 figures by Leo Wolman, in Bulletin No. 68, National Bureau of Economic Research, New York, 1937; figures for 1936–1949 are estimates by the present author. Accurate membership figures are not available for a number of unions, and there is considerable variation in the estimates of total membership issued at various sources. Unlike the above, which represent average annual membership, some estimates are for membership at the beginning or at the end of the calendar year—the difference in the resulting figure may be considerable in years of rapid increase or decrease in employment or during years of active union organization drives. Also, some estimates include the half million or more Canadian members of unions having headquarters in the United States. These are not included in the above table.

sion of strategic war materials, as well as many other questions." A large majority were in unionized plants where union members served as the employee representatives on the joint committees. On the whole, cordial relations with organized labor were maintained by the War and Navy Departments, both of which employed labor relations experts at their Washington headquarters, as well as in the important production centers, to plan and direct labor policies and assist in settling differences between unions and military authorities. As a morale builder, union leaders were taken to training centers and foreign combat areas to see how guns and ammunition were being used and to gain first-hand knowledge of war production needs.

Direct participation in government administration was provided in the tripartite National War Labor Board which was established as a "supreme court for labor disputes." So long as this Board confined its activities to the original purpose, organized labor enthusiastically endorsed it as an example of voluntary cooperation by management, labor, and government. There was considerable dissatisfaction, however, after the Board was given responsibility for administering the wage stabilization program.

Postwar Strains

When the last bomb was dropped over Japan, the semblance of union-management coöperation which had been fostered during the war disappeared in large sections of our industry. Workers had become more and more restive under the wage stabilization program, and when overtime and other war bonus payments ended they were determined to have their wage rates increased. Moreover, they insisted that employers, with their accumulated war profits and bright outlook for an era of high production, could afford pay increases without jeopardizing the price stabilization program. The employers, on the other hand, contended that this was impossible and gave as one reason the decline in worker efficiency which they stated had taken place during the war years when jobs were plentiful.

Underlying the wage disputes was the old, unresolved issue of what constitutes the necessary functions and prerogatives of management, and to what degree and along what lines workers shall participate in the making and administration of plant policies.

Concretely, this is a question of the interpretation of collective bargaining, and many employers who asserted they were in favor of the principle of collective bargaining were nevertheless in wide disagreement with their unions over important matters pertaining to shop management.

With the hope that some workable solution of these major issues could be found, President Truman called a Labor-Management Conference on Industrial Relations in November, 1945. After several weeks' discussion, the conference adjourned with no agreement between management and labor on the issue, as stated in the agenda, of "management's right to manage." This conference was a disappointment in so far as it was unable to achieve any meeting of minds on the major specific problems facing industry and labor. In contrast to the similar conference after the First World War, however, there was no disagreement over the principle or right of collective bargaining per se, and some constructive recommendations were made for the improvement of collective bargaining contracts and the settlement of plant grievances.

Political Reverses

The discontent of workers was expressed in the numerous and prolonged strikes which took place during the winter and spring of 1945–1946. The strikes resulted in a general lifting of wage levels, but this was a Pyrrhic victory because price controls were simultaneously relaxed and the cost of living advanced. Organized labor suffered a serious setback after the 1946 elections when conservative Republicans gained control of Congress. The Eightieth Congress enacted practically none of the legislation which the unions sponsored as a means of smoothing the transition from a war to a peacetime economy and improving the general condition of all workers. Proposed bills to control prices, guarantee full employment, raise the minimum legal wage level, liberalize and extend the coverage of social security and unemployment benefits, provide health insurance and housing programs were either rejected entirely or amended to such a degree that they had little resemblance to the original measures which organized labor had sponsored.

Much more disconcerting to organized labor than Congressional inaction on proposed legislation to bring new benefits, was its en-

actment of a new labor relations law which completely altered the philosophy of the 1935 Wagner Act and nullified portions of the 1932 Anti-injunction law. The majority in Congress maintained that the 1947 Taft-Hartley Act, enacted over President Truman's veto, was for the purpose of restoring the equality of bargaining rights between employers and employees, thus rectifying the one-sided protections given unions by the previous legislation. Organized labor declared it was a vindictive attack on unions, dubbed it a "slave labor act," and immediately started a campaign for its repeal.

The Taft-Hartley Act was the rallying cry of labor in the 1948 political campaign, and labor's support of President Truman was a major factor in his unexpected success. President Truman's "Fair Deal" legislative program included the outright repeal of the Act, and labor hoped and expected prompt action by the 81st Congress. It was doomed to disappointment, and the unsettled issue served to strengthen labor's conviction of the need to continue the political action programs which it had started a few years previously.

LABOR AND POLITICS

The passage of the Taft-Hartley Act had much more far-reaching and lasting consequences than any change in management-labor relations resulting from any of its specific provisions, because it was this piece of legislation, more than anything else, which caused all branches of the labor movement to reconsider their former policies with respect to political activity and to adopt long-range programs of concrete, vigorous action.

From the date of its formation, the American Federation of Labor has followed a nonpartisan political policy of supporting its friends and opposing its enemies regardless of their party affiliations. This nonpartisanship is based on the belief that (1) partisan politics might create dissension among its members and turn their attention away from trade union matters; (2) neutrality is more effective for obtaining political concessions, since no slate of candidates is automatically assured of labor's endorsement and competing candidates must bid for union members' support; (3) labor should not run the risk of identifying itself with any par-

ticular party because it would lose all its political influence whenever that party is defeated.[10]

In contrast to this traditional policy, the C.I.O. from its inception adopted a policy of vigorous activity in political affairs and has not been entirely adverse to the idea of launching a labor party, or at least identifying itself with an existing party. In 1936 various C.I.O. unions, joined by several A.F.L. unions, established a Labor's Non-Partisan League which campaigned for the reëlection of the New Deal administration. Subsequently, New York unions took an active part in the American Labor party, although most of them withdrew in the spring of 1944 after the Communists had gained control.

The impetus for direct political action on a national scale was strengthened during 1943, when widespread expressions in the daily press, state legislatures, and Congress aroused fears that the New Deal labor gains were in jeopardy. To assure the continuation of the New Deal program, the C.I.O. established a Political Action Committee which carried on an educational program that is generally believed to have had a major influence in the 1944 election of Roosevelt for his fourth term.

The Crucial 1948 Election

There was very little political activity by any segment of labor in the 1946 campaign, and many of labor's friends in Congress were defeated. The Republican majority interpreted their success as a "mandate from the people" to curb unions and discontinue New Deal reforms. The resulting failure to pass legislation to im-

[10] While nonpartisanship has been the guiding rule of the A.F.L., upon a few occasions it has endorsed particular presidential candidates, and a number of its affiliated organizations from time to time have actively sponsored political parties and occasionally have gone so far as to advocate a separate labor party. Samuel Gompers, first and long-time president of the A.F.L., actively participated in the Democratic party campaign in 1908 after he was repulsed by the Republicans in his efforts to obtain relief from the courts' use of the Sherman Anti-Trust Act and injunctions in labor disputes. He continued to support the Democratic party, although less actively, until 1924 when, in protest against the conservative platform and candidate this party had chosen, he persuaded the A.F.L. Executive Council to endorse a new third party—the Progressive party, which also received the official support of the railroad brotherhoods in that election. Prior to this, in 1919–1922, a number of A.F.L. state federations in the Middle West had identified themselves with the Farmer-Labor party, which was successful in a number of state and local elections.

prove social security, minimum wage and other laws, and especially the enactment of the Taft-Hartley Act, catalyzed all segments of labor to immediate political action. At its 1947 convention, the American Federation of Labor took an unprecedented step and established Labor's League for Political Education in order, as its founders stated, "to serve most effectively the interests of the workers of the nation and adequately to meet the challenge presented by predatory and vested interests" and to gain "the restoration of the rights of labor as heretofore enjoyed and the realization of a more sound and equitable labor relations policy . . . and a more wholesome life and fairer and more equitable distribution of the fruits of industry . . . under a system of free enterprise, free trade unions and free workers." Railway Labor's Political League was also organized and, with the already functioning C.I.O. Political Action Committee, the entire labor movement was galvanized into action. This, in spite of the fact that one of the purposes of the Taft-Hartley Act had been to discourage political activity of unions.[11]

So aroused was labor at the turn of its political fortunes that there was some serious discussion, even by President Green of the A.F.L., as to the advisability of forming a third labor party. This was soon abandoned, largely because of developments within the Democratic party. Spurred by labor and liberal forces within the party, the 1948 Democratic national convention adopted a platform which unequivocally committed the party to a continuation of the New Deal philosophy. This clear-cut break with its conservative wing enabled organized labor, as never before, to look to the Democratic party as its political means for action. However, neither the A.F.L. nor the C.I.O. formally identified itself with that party during the 1948 presidential campaign. Both branches

[11] The Taft-Hartley Act made it unlawful for "any labor organization to make a contribution or expenditure" in connection with any primaries or elections for national offices. Many persons felt that the sponsors of the Taft-Hartley Act themselves believed the "expenditures" provision was unconstitutional but wanted to include it on the expectation that the 1948 elections would be "safely" over before the issue could be decided by the Supreme Court. Nevertheless, the unions were careful to see that no union dues were used for political purposes and that necessary monies were raised by voluntary contributions from individual members.

of the labor movement remained nominally nonpartisan but, since their efforts were primarily focused on the defeat of the Taft-Hartley Act, this automatically placed them in the camp of the party which had pledged itself to the law's repeal.

In spite of labor's unprecedented activity during the election campaign and despite President Truman's efforts during the 1949 Congressional session, organized labor was able to get very little of its desired legislation enacted into law. Ignoring the platform pledges of their party's convention, a sufficient number of Democratic Congressmen voted with the conservative Republicans to cause the defeat of most of the legislation sponsored by labor. The consequent reactions were twofold: a determination to continue its vigorous political action campaigns, and a renewed conviction that it was not yet practical for organized labor to align itself completely with one political party. Awareness of the necessity for the election of "friends," regardless of their party affiliations, was not limited to the national government. For ten years or more there had been a trend in the state legislatures to enact laws which organized labor considered inimical to its interests, and in many of these states, mostly in the South, Democratic majorities were responsible for the passage of these laws.

Handicaps to Effective Political Action

Union members and their families comprise at least a third of the electorate of the country, and a substantial number of nonunion workers undoubtedly agree with union members on many political and legislative issues. However, organized labor has seldom been able to "deliver the vote" which its numerical strength would seem to make possible. The reasons for this are varied. Some are due to the political behavior patterns of the members themselves, but others are the results of conditions beyond the immediate control of union members.

An obvious reason is the lack of political solidarity among the membership, as well as the union leaders. Traditionally in this country, workers have not been inclined to vote according to their economic interests alone. Inherited political party loyalties frequently take precedence over other considerations on election day. Appeals based on cultural or national origins tend to dilute the

voting strength of a group whose composition is as diverse as is that of organized labor in this country. More important than confusions of loyalty is the failure or inability of many union members to vote at all. This is attributable, in part, to the mobility of the working population. In their quest for new or better jobs, large numbers of workers change their places of residence each year. Legal residence requirements, the feeling of not belonging in the new community, ignorance of local political issues and candidates,[12] combined with the poll taxes required in some states, all cause millions of workers to remain away from the polls at every election.

Even if workers cast ballots in proportionately equal numbers to the population at large, industrial wage earners would be politically disadvantaged because of our prevailing electoral systems which favor rural, nonindustrial areas. In 1948 in California, for example, a rural district of fewer than 25,000 persons had equal representation in the state senate as Los Angeles with its hundreds of thousands of industrial workers. To a lesser degree, the same situation exists in most state legislatures, as well as the U. S. Senate, with the result that legislation sponsored by labor is frequently defeated by legislators who have little need to concern themselves about labor's reaction to their votes.

Workers are also at a disadvantage because of the dearth of labor representation in political offices. Legislatures are predominantly composed of farmers, lawyers, and independent businessmen who are able to take time off from their other duties and serve the few months the legislatures are in session, with little or no loss in annual income. Industrial wage earners, on the other hand, have to give up their regular jobs and depend upon the comparatively small stipends paid legislators in most states. In some foreign countries the labor unions pay salaries to their members while they serve in public office. It is possible that this practice may be adopted in this country if organized labor becomes convinced that existing handicaps can be overcome only by having more persons from the ranks of labor serve in the halls of Congress and the state legislatures.

[12] As an example: The population on the Pacific Coast increased more than 50% between 1940 and 1948, but there were very few more votes cast in the 1948 elections than in 1940.

Alternatives to Political Action

During the past decade organized labor has been more consistently active in political affairs than at any time in its history. Both branches of the labor movement now have permanent committees at the national, state, and local levels to carry on continuous campaigns for political education and to "get out the labor vote" on election days. It is a pragmatic approach; the methods used, the issues and candidates sponsored are governed by the circumstances at any given time. At present, organized labor is convinced that it should work with and through existing political party machinery and, in spite of occasional threats, it is not likely that labor in the foreseeable future will run the risks attendant upon the sponsorship of a third (labor) party movement.

One reason why labor in this country, in contrast to many European countries, is not extremely concerned about having its own political party is that it continues to place chief reliance upon its economic rather than its political strength. If the politicians fail the workers, they turn to their employers. This was dramatically demonstrated during the fall of 1949 when Congress adjourned without enacting more adequate social security legislation. Immediately, pensions and welfare plans became a rallying cry for the unions throughout the mass-production industries. In some, notably in the steel industry, there was a long strike over this issue, but in the end the unions won their point. The struggle was crucial and the results had far-reaching effects upon all workers and the general public. It raised the sights of what should be considered adequate old-age benefits by establishing the $100 monthly pension as a standard. More than this, it decisively turned the tide against public assistance based on need, which had been gaining some support in Congress and elsewhere, as an alternative measure to the extension of pensions and insurance programs. This was accomplished through economic pressure of organized workers who had tried and failed to get action from several successive Congresses. It was a vanguard movement by a few strong unions, and it served to stimulate Congressional action to provide governmental programs which will benefit workers generally, the unorganized as well as the organized.

INTERNAL CONFLICTS

Fifteen years after the great revival of unionism the labor movement finds itself divided into several camps. The American Federation of Labor, with its more than 7 million members, has demonstrated a capacity for continued vitality and growth which many persons at the time of the schism in the 1930's had predicted was impossible. The Congress of Industrial Organizations, with almost 5 million members, is firmly established in the great mass-production industries and wields an influence extending far beyond its membership. In addition, there are independent unions, such as the Mine Workers and the Machinists which for various reasons have severed connections with the A.F.L., several left-wing unions recently expelled by the C.I.O., and the railroad brotherhoods which have never chosen to affiliate with any other group.

With the exception of the railroad brotherhoods, which confine their activities to the one industry, all these segments of organized labor are in active competition with each other. The resulting rivalry for workers' loyalty and job control has upon occasion aroused much confusion and dissipation of energy. But the competition has also galvanized all groups into more strenuous activity so that the net effect up to the present time has probably been more beneficial than harmful to the expansion of unionization.

The formation of the C.I.O. represented a protest movement against the traditional opportunism and craft-centered interests of the A.F.L. The C.I.O. leaders, most of whom were considerably younger in age than the A.F.L. officers, were imbued with a reformist zeal and a desire to extend the influence of organized labor beyond the confines of job improvement. But the C.I.O. founders were from the ranks of labor, and the new organization was founded upon the principle that it should be a *labor* rather than a social or political reform movement. The C.I.O. was never like the Knights of Labor and other "one big union" movements of an earlier date, which after a few years collapsed because of their heterogeneous membership and confused programs.

Aggressively active in rallying the masses of unskilled and semi-skilled workers, the C.I.O. did not neglect the skilled workers. Based on the concept of industrial unions, it soon found that there

was no one formula for labor organization and its affiliates now include all types of unions—craft, industrial, and mixtures of both. In self-protection, the A.F.L. began to pay more than lip service to the needs of the great mass of workers, and many of its affiliates, which hitherto had closed their doors to all but skilled workers, actively sought recruits from all classes of labor. In structure and program there was little difference between the A.F.L. and the C.I.O. within a few years after the split. The issue which had led to the break had become almost wholly academic—with one exception.

C.I.O. and the Communists

That exception was the numerically small but pervading influence of the Communists in the C.I.O. When the American Communist party, presumably under instructions from Moscow, abandoned its unsuccessful dual unionism (Trade Union Unity League), it found a haven for its "boring-from-within" tactics in the newly established, militant C.I.O. The new movement, in need of vigorous leaders, was happy to benefit from the organizing skill and indefatigable zeal of its Communist members, and assumed that political differences could be ignored. The Communists were in the vanguard of many of the early organizing drives and, benefiting from the atmosphere of good-will toward our Russian ally during World War II, they obtained positions of leadership in a number of C.I.O. unions and in the high councils of the C.I.O. itself. Vociferously proclaiming the need for labor unity, they were able to form a tightly knit and closely disciplined core within the CI.O. which never became assimilated into its trade union program.

Although the majority non-Communist element in the C.I.O. recognized the Communists' presence as a constant threat to democratic unionism, they were tolerated as long as the "party line" did not conflict with fundamental C.I.O. policy. The inevitable and final showdown came over some concrete and specific issues—issues which were reflections of the same differences which have divided the entire world into two hostile camps.

The first concrete issue which brought the long-smoldering friction within the C.I.O. into the open was the question of endorsement of the Marshall Plan to aid the recovery of war-stricken Europe. The bitter debate which took place when the C.I.O. 1947

convention endorsed the government program clearly revealed which C.I.O. officers were following the "party line" in support of the Soviet opposition to the Marshall Plan and the Atlantic Pact. Factional strife became more acute when these same leaders a few months later joined forces with the Progressive party—a third party movement which the C.I.O. president openly accused of being Communist inspired for the purpose of splitting labor's vote in order to obtain a reactionary government, which according to Communist thinking would ultimately lead to a swing to the Communist left.

The crucial issue which caused the final showdown between the Communist and anti-Communist factions in the C.I.O. was the matter of affiliation with the World Federation of Trade Unions. Before the war the A.F.L. had successfully opposed the C.I.O. application for membership into the International Federation of Trade Unions, an organization to which practically all the labor movements of the world belonged, except the Russian. During the few months of optimistic hope for a united world which prevailed in 1945, the labor movements from the various countries decided to disband the I.F.T.U. and form a new World Federation of Trade Unions which would include unions from the Russian and Soviet satellite countries. The American Federation of Labor bitterly opposed this move and never joined the W.F.T.U. on the ground that there could be no working relationship between "free" unions[13] and those controlled by their governments. The C.I.O., angry because of its exclusion from the prewar I.F.T.U. and under the subtle influence of its Communist faction,[14] became an enthusiastic charter member.

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[13] The A.F.L. defines free trade unions thus: "Free trade unions are independent organizations controlling their own terms and conditions of membership, deciding their own rules and discipline of membership, able to make a contract with assurance of fulfillment. Free trade unions are not state controlled nor are they auxiliaries of the state dominant party, or any employer or employers' organizations. Free trade unions are not subject to any political party nor do they serve as party tools. Power of deciding policies and the course of the organization is lodged with the union membership." (*AFL Weekly News Service,* December 5, 1944)

[14] It must be emphasized that most of the C.I.O. leaders who were most active in the formation of the W.F.T.U. were not Communists, even though they believed at the time that it was possible to work with Communists.

It soon became apparent that the new world organization was dominated by its Soviet members. Its opposition to the Marshall Plan was particularly embarrassing to the British Trades Union Congress and western European labor organizations whose members were receiving material benefits from the recovery program. Fighting a losing battle, the C.I.O., as well as the British and other European labor organizations, formally severed connections with the W.F.T.U. in the spring of 1949. After this break, steps were immediately taken to form a new international organization to be composed of non-Communist labor unions. To facilitate this movement the American Federation of Labor reversed its policy with respect to C.I.O. membership. The barrier of "dual unionism" was removed; instead of insisting that the international organization should be limited to the "predominate" labor organization in each country, it was agreed that all free labor organizations from the several countries could join with voting strength based on size of membership. Delegates from the labor movements in 50 countries met in London, and in December, 1949, formed a new world organization called the International Confederation of Free Trade Unions as a rival to the Communist-led World Federation of Trade Unions.

The Communist-dominated unions within the C.I.O. refused to abide by this action and insisted upon their right to continue association with the W.F.T.U. and its subsidiary departments. (The World Federation of Trade Unions planned to have departments to which unions composed of all workers in the same occupation would belong. Thus a Maritime Department would be an international agency for all the maritime workers of the world with implied power to bring about stoppages of work on all ships of all countries.)

Decisive action was taken at the 1949 C.I.O. national convention following President Murray's report which charged that the Communist clique, although it spoke for less than 10 percent of the organization's membership, had nevertheless created a "dangerous division . . . whose leaders' policies, statements and actions demonstrate their contempt and their hostility toward our general policies." Two unions (the United Electrical, Radio and Machine Workers, the third largest union in the C.I.O., and the

Farm Equipment Workers) were expelled,[15] and amendments were made to its constitution giving the executive board power to expel any union for pro-Communist actions and to remove any officer or board member who followed the Communist party line.

FUTURE PROSPECTS

Structurally, the severance of the Communist element from the C.I.O. signified further fragmentation of the labor movement in this country. Functionally, it opens the way for greater cohesion and unified action by the branches of the labor movement which represent the vast majority of organized workers. During the summer of 1950 there were renewed efforts by both the A.F.L. and C.I.O. to work out a plan for organic unity. Because of the personality and trade jurisdictional problems involved, it will probably be some time before a merger can be attained. Meanwhile, however, a large degree of functional unity has been achieved, especially in the realm of political and legislative action.

Together, the two branches of the labor movement represent a potential force whose impact upon our political and economic life is incalculable. During the past two decades organized labor has achieved a status it never before had in this country. Labor unions are now an integral part of the warp and woof of our national and international life; whatever emerges, organized labor will have had a share in its determination and development. Similar to other segments of the population, organized labor has no definite solution to the complex problems facing the country, or the methods whereby their own immediate goals can best be obtained. There is not common agreement within the labor movement as to the "shape of things to come," or the degree and kind of participation labor shall assume.

But the mass of workers are firmly convinced that whatever our future economic and political structure may be, it must provide them with more economic security than they have had in the past and a rising standard of living commensurate with advancing technology. In the pursuit of these goals shall each union use what

[15] The United Automobile Workers was given jurisdiction over farm equipment workers, and a new C.I.O. union was immediately established to win over non-Communist electrical workers.

economic strength it has at any given moment to get what it can for its own members, or shall the organized workers as a coördinated labor movement be concerned with basic economic problems of price and wage relationships, of productivity, and distribution of national income? Is organized labor qualified to assume this larger role, and will the general welfare be promoted by such participation?

These crucial issues with all their ramifications will be discussed in later chapters. Requisite to this discussion is an understanding of the internal structure and government of labor unions and existing collective bargaining procedures.

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CHAPTER 20

UNION STRUCTURE AND INTERNAL GOVERNMENT

"ORGANIZED LABOR" REFERS TO THOSE WORKERS WHO HAVE COMbined into organizational units of one kind or another for the purpose of improving their economic condition. The "labor movement" connotes the unified purpose, activities, and aspirations of such workers. Neither term relates specifically to the structural arrangements by which workers group themselves, although such arrangements are the basic elements of any general movement, since its character and effectiveness are influenced strongly by its internal mechanism and rules of operation.

Organized labor is a composite of different types and hierarchies of organizations with varying kinds of relationships and lines of control. At the base are the local unions to which every member belongs and to which he pays his dues. These local unions have lateral and vertical affiliations, the most important of which are the national unions. The national unions, in turn, may be federated with other national and international organizations.

FEDERATED ORGANIZATIONS

Most labor unions at the present time are affiliated with either the American Federation of Labor or the Congress of Industrial Organizations, although there are important exceptions. A number of railroad and government workers' unions, for instance, have never belonged to the federated groups. Several other unions have at various times belonged to either the A.F.L. or the C.I.O. but for some specific reasons have withdrawn or been expelled.

The major functions of the federated organizations, both the A.F.L. and the C.I.O., are (1) to promote the interests of workers

and unions before the legislative, judicial, and administrative branches of government; (2) to expand union organization, both directly and by assisting their member unions; (3) to provide research, legal, and other technical assistance to their members; (4) to publish periodical journals and other literature dealing with economic problems and general matters of interest to labor; (5) to represent and promote the cause of labor before the general public; (6) to determine the jurisdictional boundaries of their affiliated unions and to protect them from dual unionism; and (7) to serve as spokesman for their unions on international affairs, especially international labor movements.

Historically and structurally the A.F.L. and the C.I.O. are agents of their constituent organizations, having only such powers and engaging in only such activities as have been assigned to them by their affiliates. Although the C.I.O. tends to assert more control over its affiliated unions than does the A.F.L., neither federated organization has any direct authority over the internal affairs or activities of its member unions so long as they do not impinge upon the jurisdiction of another affiliated union. The federated organizations' only actual power is that of expulsion from the central body.

The annual conventions, attended by delegates from each affiliated unit, are the supreme lawmaking bodies of both organizations. Decisions and instructions of the conventions are carried out by the executive councils, and the responsible administrative agents are the general presidents and secretary-treasurers. Most of the revenue for the support of the A.F.L. and the C.I.O. is derived from per capita taxes and from portions, usually one-half, of the initiation fees charged new members. The A.F.L. per capita tax is 3 cents per month for members belonging to national unions and 37 cents per month for members belonging to locals directly affiliated with the A.F.L. Comparable C.I.O. taxes are 8 cents and 50 cents per month.

Departments of the American Federation of Labor

Since most of its constituent unions are industrial in character, the C.I.O. has not found it necessary to establish departments through which the various craft unions can seek to settle their

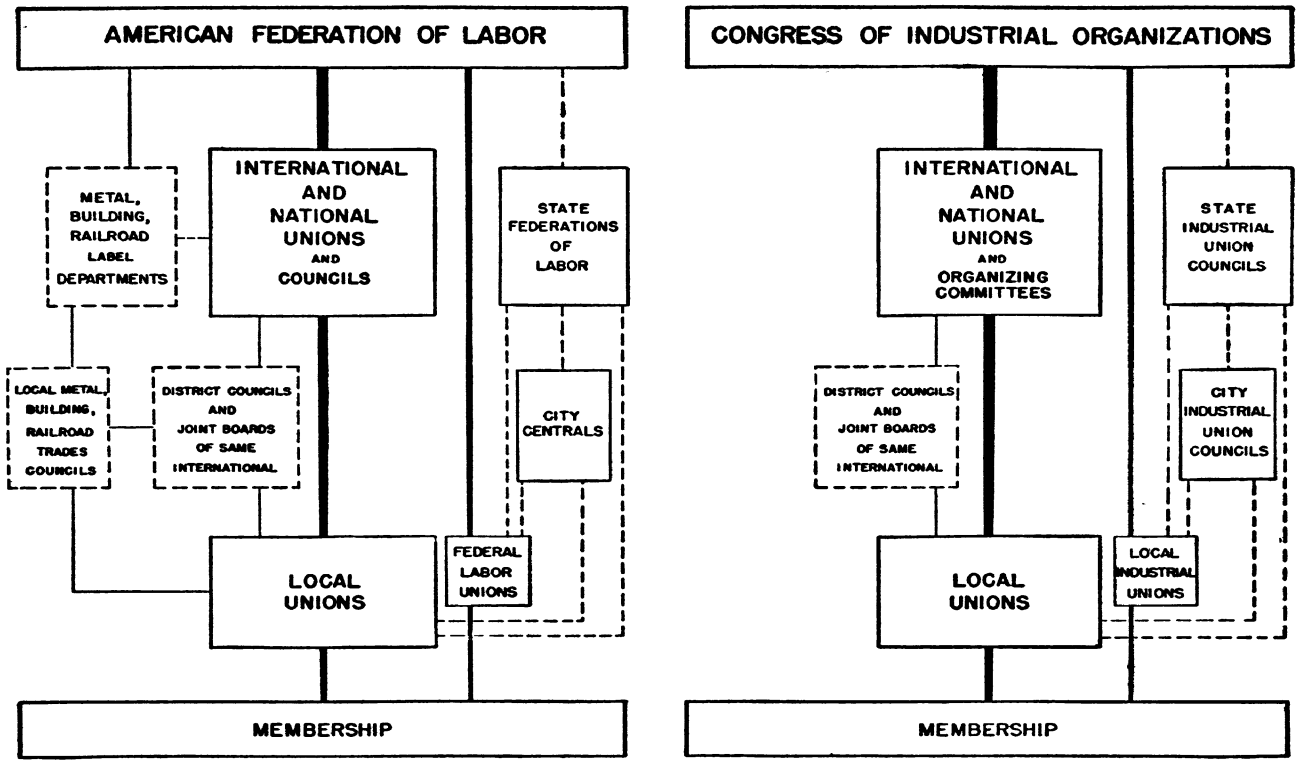

FIG. 29. *Structure of U. S. Labor Organizations.*

jurisdictional disputes and consolidate for collective bargaining purposes. The 1907 convention of the A.F.L. declared: "For the greater development of the labor movement, departments subordinate to the American Federation of Labor are to be established from time to time. . . . Each department is to manage and finance its own affairs . . . but no department shall enact laws, rules or regulations in conflict with the laws and procedure of the American Federation of Labor." At present the Federation has five departments: the Building and Construction Trades Department, the Metal Trades Department, the Railway Employees' Department, the Union Label Trades Department, and the Maritime Trades Department. Many of the international unions of the A.F.L. are outside the jurisdiction of any of these departments, whereas others are affiliated with several departments.

A major function of the Building and Construction Trades Department is to extend union organization among building-trades workers and to settle jurisdictional disputes between member unions. Another important activity is to deal with federal government agencies having to do with public construction and to promote the general interests of building-trades workers before Congress.

The Metal Trades Department devotes most of its efforts to promoting union organization and assisting local and district councils in collective bargaining. In the negotiating of agreements with large corporations, particularly with shipbuilding concerns, this department takes an active part and is frequently a signatory to the agreement, along with the local or district metal trades council. The Department has direct representation on the Navy Wage Board of Review, which fixes wages for the various occupations in the navy yards. It also represents the interests of its members before other legislative and executive government agencies; for example, it is active in promoting merchant and naval shipbuilding and coöperates closely with federal and state apprenticeship programs.

The Railway Employees' Department represents the members of seven A.F.L. craft unions who work in railroad shops. Most of these unions also have members in other industries and are therefore affiliated with the Building and Construction and the Metal

Trades Departments. The Railway Employees' Department organizes what is known as "system federations," which are composed of all its members in the various craft unions working for the same carrier or railroad company. The Department maintains general supervision over the activities of the system federations, and sanction must be obtained from it on all proposed agreements with employers as well as contemplated strike action. Jurisdictional disputes between the crafts and concerted demands for wage increases are referred to the Department for action. Any grievance which cannot be settled by the system federation involved is referred to the Department, which decides whether or not it should go to the Railway Adjustment Board. Only the Department may invoke the services of the National Mediation Board (see Chapter 23).

The Maritime Trades Department was established in 1948 to perform functions within the maritime industry similar to the above mentioned departments. The Union Label Trades Department has a different function. It is composed of all the A.F.L. unions which use labels, cards, buttons, or other insignia to designate the products or services of their members. The purpose of the union label is to promote union organization and union standards of workmanship by appealing to the consumer. The label is especially designed to channel the purchasing power of union members, who make up a large portion of the consuming public, into buying union-made goods and services. The Department conducts advertising campaigns, issues union label directories, and in union conventions and literature urges members and their families to patronize union goods.

City and State Central Bodies

National unions are primarily concerned with protecting and improving the working conditions of members within their particular trades or industries. To take care of the many matters of common interest to workers in all trades, and to provide a means for a united effort for the general improvement of conditions of labor, unions representing different trades and industries affiliate for concerted action. The A.F.L. and the C.I.O. represent such affiliations at the top level. Locally, there are the city centrals,

which are affiliates of all A.F.L. local unions within the city, and the city industrial councils to which the C.I.O. locals belong. On the state level are the A.F.L. state federations and the C.I.O. state industrial councils.

The city organizations are composed of representatives from all the member local unions; the state organizations include delegates from the city organizations as well as from all the affiliated local unions in the state. Membership in the city and state organizations is optional with the locals, although most of them belong. However, no local which does not belong to a national union affiliated with the A.F.L. or the C.I.O., as the case may be, may belong to their respective city and state organizations. Although the city and state organizations have wide latitude on the policies and activities they pursue, they are subject to their respective parent bodies; in other words both the A.F.L. and C.I.O. reserve the right to revoke their charters.[1]

The state federations and state industrial councils are concerned chiefly with legislative and educational matters. They hold annual conventions in which programs of general interest to all the workers in the state are formulated, initiate legislation and appear before state legislatures, and in various ways promote organized labor's interests before the public.

In contrast to the state organizations, the city central organizations deal more on the economic front, serving as clearing houses for the locals and assisting them in dealing with employers. Most of them issue weekly or monthly papers which give the local labor news as well as important items concerning unions and workers generally. They are the agencies which, next to the local unions, touch the individual workers most closely. The A.F.L. city centrals go by various names such as Trades and Labor Assembly, Trades and Labor Council, Central Labor Council, Central Labor Union. The city bodies of the C.I.O. are officially called "City Industrial Union Councils."

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[1] This was demonstrated in 1949 when the C.I.O. Executive Board "liquidated" the Greater New York City Council because of its "slavish adherence to the Communist party" and established a new central body of C.I.O. unions in New York City.

NATIONAL UNIONS[2]

The national unions are the autonomous, self-governing units of the labor movement. Even though a national union is affiliated with a larger body such as the A.F.L. or the C.I.O., it retains its independence as a self-governing organization so far as its internal affairs are concerned. Even with respect to outside activities, the national union exercises wide latitude. It may, for instance, on its own initiative sponsor political programs and legislative measures so long as such endorsements do not violate the fundamental principles and policies of the general labor movement with which it is affiliated.

The chief functions of the national are to extend union organization throughout the trade or industry over which it has jurisdiction in order that uniform working standards may be obtained, to advise and assist its locals in negotiating agreements with employers and to see that such agreements are adhered to, and to participate in the program of the federated organization (A.F.L. or C.I.O.) to which it is affiliated. Many of the nationals maintain staffs of economic and legal advisers to assist their locals as well as their own officers; practically all publish weekly or monthly periodicals for distribution to their members.

The methods by which the national union accomplishes its purposes vary according to the rules and traditions of the union, its leadership, the condition of the industry, and the general economic situation at any particular time. Under some circumstances, for

[2] Labor organizations in this country are commonly called "international" unions because most of them have some members in Canada as well as in the United States. A majority of their constitutions describe their coverage as extending throughout "the United States, its territories and possessions, and Canada," although some specifically cite Alaska, Hawaii, Puerto Rico, and the Canal Zone as well as continental United States and Canada. The constitutions of a few unions, especially the maritime organizations, indicate "North America" or "Central and South America" or "the entire Western Hemisphere." Even though their constitutions may designate broad coverage, few if any of the standard labor unions at the present time have locals outside the United States and her possessions, and Canada.

Because the use of the term "international" when referring to American unions causes confusion with labor organizations of truly international character, the author throughout this volume uses the term "national" when referring to any of the bona fide labor unions in this country, even though many of them have locals in Canada.

example, the national may deal directly with an employer or an employer's association, although usually the local union is the active party in negotiating agreements. Some nationals require their locals to obtain permission from their national officers before a strike may be called; others merely lay down rules such as requiring a majority vote of the members affected before a strike is called. However, if the local expects financial aid from its national in the form of strike benefits, the approval of the national officers is always necessary.

Number and Size of National Unions

There are at present almost 200 labor organizations whose jurisdictions are broad enough to justify their being called national unions; of these, 107 are affiliated with the A.F.L. and 40 with the C.I.O. Several of the nonaffiliated unions have at one time belonged to either the A.F.L. or the C.I.O. but for various reasons have withdrawn or been suspended. Most of them, including eight of the railroad unions and six organizations of government workers, have always had an independent status.

National unions vary in size from fewer than a hundred to more than a million members. Differences in size may be due to the jurisdictional character of the union, the extent to which it has been able to organize the trade or industry in which it has jurisdiction, and the number of workers employed in the trade or industry. In general, unions covering entire industries, or several categories or trades, tend to be larger than those confined to single crafts.

Approximately half the national unions have a membership between 10,000 and 100,000. The dozen unions which have fewer than a thousand members are confined to particular skilled trades, some of them trades that are now becoming obsolete. The six unions with over a half million members, on the other hand, include employees in all or most of the occupations within an entire industry or even several industries; the Automobile, Aircraft, and Agricultural Implement Workers, as its name implies, covers three expanding industries. The United Steelworkers covers workers in both steel and aluminum production and fabrication plants. The United Mine Workers includes not only bituminous and anthracite miners but workers engaged in coal processing, chemical, and other industries. Although the Brotherhood of Carpenters and Joiners,

the Association of Machinists, and the Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers originally were confined largely to particular groups of workers, they now accept persons employed in all or most of the occupations in related industries and crafts.

Craft versus Industrial Unions

The kind and variety of occupations and workers included in a union's jurisdiction have far-reaching effects on employer-union bargaining relations, on interunion relations, and upon the size and character of the union itself. What the jurisdiction of a union is at any given time is determined by the union, subject to the approval of its affiliated body. In so far as it does not trespass upon the claimed jurisdiction of any other union affiliated with the same general organization (that is, the A.F.L. or the C.I.O., whichever the case may be), a union may expand its coverage at will. Likewise, it may choose not to include certain occupations or groups of workers. In the case of an unaffiliated or independent union, the only limitation on its jurisdiction is its ability to enlist the support of the workers it wishes to have as members.

While the constitutions and sometimes the names of the unions are designed to indicate their claim to coverage, jurisdictional lines are never fixed or settled over a long period of time. Unions tend to respond to the changes taking place in industry itself, and in a dynamic industrial situation there necessarily are frequent amalgamations as well as divisions, transfers, and expansions of jurisdictions. Realignments in the corporate or managerial units of business, increasing mechanization, and changes in materials and processes bring about conditions which call for adjustments in union jurisdiction. Such changes are likely to create potential areas of conflict between unions, resulting in jurisdictional disputes and rival and dual unionism. One of the major concerns of organized labor has been to find ways and means of settling amicably these recurring problems of adjustment to changes in business structure and processes. If the adjustment is too delayed or is not sufficiently adequate, it may jeopardize the very existence of a union; it may even cause serious defections or upheavals in the entire labor movement, such as took place when the C.I.O. was formed.

To indicate their general type of jurisdiction, unions are sometimes referred to as being either craft or industrial in character. A strictly craft union consists of workers who have undergone an apprentice training and whose acquired skills enable them to carry through to completion a particular process usually requiring manual dexterity with tools. A craft union crosses industry lines—that is, it has members in *various* industries—since industries producing entirely different commodities or services include some processes or occupations which are similar. In contrast, an industrial union is identified with a *particular* industry and covers all the workers, skilled and unskilled, who are employed in that industry.

As a matter of fact, few unions at the present time fall within either of these extreme categories of craft versus industrial organizations, and no two persons would classify existing unions alike. One example of a craft union is the Brotherhood of Locomotive Engineers. Illustrations of unions whose jurisdictions cover entire industries are the clothing and textile unions. A number of unions are multicraft; that is, they include several parallel and somewhat related occupations. Usually they represent an amalgamation of two or more unions which in some instances is indicated by their name—for example, the Bricklayers, Masons and Plasterers International Union. Some unions, including the six largest already mentioned, can be termed multi-industrial since they include within their jurisdiction workers engaged in all occupations in several different industries.

Not only do unions readjust their jurisdiction from time to time in respect to industrial changes, but the same union may function on a craft basis in some branches of an industry and as an industrial union in others. The Brotherhood of Carpenters and Joiners, for example, operates as a craft union in building construction and as an industrial union in logging camps and furniture plants. This union is sometimes referred to as a "vertical" union because its jurisdiction is built around the commodity wood —from the tree to lumber to building and furniture. The Meat Cutters and Butcher Workmen functions as a craft union in local retail stores but as an industrial union in the packing industry. The Brotherhood of Electrical Workers and the Association of Machinists operate as craft unions in railroad shops and outside

construction work, but are frequently organized on an industrial basis in manufacturing plants.

Internal Government of the National Unions

The supreme authority and sole legislative body of all national unions is the general convention, which is composed of delegates from all the local organizations. Because of the importance of conventions as the final authority on all union matters, the frequency and regularity with which they are held, the distribution of voting power, and the manner in which officers are elected are important criteria of a union's democratic administration. Ever-tighter control by a few officers inevitably results, for instance, when conventions are postponed from year to year and when the attending delegates are predominantly the paid organizers or representatives chosen by the officers.

Two-thirds of the national unions hold conventions either annually or biennially, and most of the others hold conventions every three or four years. Several unions, mostly with small memberships, hold conventions every five years or only upon a referendum vote of their members.

Every national has a general executive board, chosen at the convention, which is responsible for the administration of the union's affairs and which serves as an appellate body on matters referred to it by the locals as well as the individual members. Although not the same in all unions, most general executive boards have the responsibility and authority to issue and withdraw local charters and to repeal any local's bylaws which do not conform to the national's constitution; to remove any officer for incompetence or nonperformance of duties and to fill the vacancy until the next convention; to take charge of the affairs of any local when it is decided that this is necessary "to protect or advance the interests of the union"; to pass upon all claims, grievances, and appeals from locals and other subordinate bodies; to reverse or repeal any action of any national officer; to select auditors for the auditing of books, and to prepare the report for the forthcoming convention; to supervise the policies and publication of the official journal; to determine the amount and methods of bonding all the officers who handle union funds, and to levy assessments in accordance with the terms of the constitution.

The general president is necessarily vested with the chief responsibility for the day-to-day conduct of the union's affairs. As in any other organization, the actual powers and influence exercised by an elected leader depend about as much upon the will and ability of the person holding office as upon the authority formally granted by the constitution. Through the prestige of his office, as a presiding chairman and ex officio member of committees, the union president has great influence in determining what and how matters are discussed and voted upon at executive board meetings and general conventions. As administrator of the union's day-to-day activities, his decisions and course of action vitally affect not only the internal affairs of the union and its members but also public opinion. In most unions the president's decisions are subject to the approval of the executive board and appeal to the convention; a few unions give their presidents final authority on many matters of basic policy.[3]

LOCAL ORGANIZATIONS

To the union member, his local union is his point of contact with the other organized workers in his trade or industry. It is the agency to which he pays his dues and expresses his demands for better working conditions, and through which he seeks settlement of his grievances and participates in the union's broader political and economic programs. Most generally it is the local union that deals with employers for its members, although the national union may assist in particularly difficult or important situations.

There are at present approximately 60,000 local unions in the United States, ranging in size from a dozen to over 100,000 members. Locals may be organized on an occupational or craft basis, or on a plant or multiplant basis. The unit of organization of a local does not necessarily parallel the jurisdictional boundaries of its parent body; e.g., many locals of the clothing and other industrial unions are organized on a craft basis. Locals for each craft covering numerous employers in the same city or area are common in the building, printing, metal, and trucking industries. Railroad locals are organized on a craft basis by railroad systems. In manu-

[3] See "The Constitutional Power of the Chief Officers in American Labor Unions" by Philip Taft, *Quarterly Journal of Economics*, May, 1948.

facturing, locals confined to single plants are most common in unions whose jurisdictions cover all the occupations in an industry. However, there are some large locals which cover workers in a number of manufacturing establishments in the same city and industry that are sometimes referred to as amalgamated locals.

Internal Government of Locals

Local unions are necessarily subordinate to their national organization and must abide by its constitutions and convention rulings. Membership qualifications, area and trade jurisdiction, and methods of suspension and expulsion of members are among the matters subject to control by the national. Within these limits, however, the day-to-day policies and activities of the local union are determined by its membership. For example, the constitutions of most nationals specify the election procedure and the various officers which their locals are required to maintain, but both the choice of individuals for these offices and their pay are determined by the locals.

Although subject to the rules of the national, each local has a voice in the formulation of these rules and policies through representation at the general convention. The number of delegates which a local may send to the convention, the highest governing body of the union, is dependent upon its paid-up membership as prescribed in the national's constitution. Even though not specified in the constitution, the president of the local is ordinarily selected as a delegate and is accompanied by others elected by the members if the local is of sufficient size to permit more than one delegate.

In large locals, one or more of the elected officers may devote his full time to union affairs. In small locals the elected officers usually continue to work at their trade and receive no regular salary from the union. The presidents and vice-presidents are generally paid a few dollars for each meeting over which they preside, and the secretary-treasurers are paid a few hundred dollars a year for keeping the books. In addition to the regularly elected officers, most unions have so-called "business agents" who are full-time paid employees of the locals with no definite term of office, thus providing continuity to the local's activities. Most business agents

have served as officers of the local and have been experienced workers in the industry, and thus know the language of the trade.

The monthly or semimonthly meeting of the local is the medium through which the membership controls the policies and activities of the union. As with other kinds of voluntary organizations, many unions experience great difficulty in getting full attendance at meetings. Although poor attendance is no indication of lukewarm loyalty to the union, as is evidenced by the wholehearted response during a crisis such as a strike, nevertheless the character and effectiveness of a union are strongly influenced by the attendance at local meetings, since control of any organization's affairs inevitably goes to the few faithful attendants, and they may or may not be representative of the entire membership. In order to insure maximum attendance and avoid complaints from members that measures were adopted about which they had no knowledge, many unions require their members to attend all or a specified minimum number of meetings a year and impose fines for unexcused absences, with possible expulsion for repeated absences.

Joint Boards and Councils

Joint boards and trades councils are combinations of locals having jurisdiction in related trades or the same industry. In some unions they are referred to as joint boards, while in others they are called city or district trades councils. Whatever their title or exact geographical coverage, their primary purpose is to secure united action in collective bargaining and uniform working conditions within the same industry in a given city or area. With most unions it is mandatory to have a joint board or council whenever the union has a given number (usually three or more) of locals in the city or area, and most national unions require all their locals within the community to belong to the council after it is once established.

There are two types of joint boards or councils: (1) those composed of locals of the same national, usually referred to as joint boards; and (2) those composed of locals of different national unions having jurisdiction over allied trades in the same industry, usually referred to as trades councils.

In the clothing and textile industries, as an example, the joint

boards are made up of locals of the same nationals. Although these nationals are industrial in character, their locals may be organized on a craft basis, on a plant basis, by section of the industry, or they may be "mixed," i.e., include workers in various occupations within the industry. The joint boards may represent all or most of the various craft and mixed locals in the entire industry in a city or region. In a large clothing center, there may be joint boards for different branches of the industry, such as knit goods, dresses, coats and suits, custom tailoring, neckwear, etc. Similarly, the Teamsters' joint councils may be composed of locals covering distinct types of trucking or delivery service—for example, milk delivery, department store or parcel delivery, heavy trucking, and moving vans.

The printing, building, and metal trades councils are made up of locals belonging to the several unions whose jurisdictions cover allied crafts. City allied printing trades councils, for example, include the locals of the five allied printing trades unions (the Typographical, Pressmen, Bookbinders', Stereotypers' and Electrotypers', and Photo-Engravers' unions). The building and metal trades councils are also composed of the locals in the various crafts of the same industry. Once a joint board or district council has been established, the national unions involved require all their locals in the area to belong, in order to promote harmony among the different crafts within a community as well as to obtain unified action with employers.

MEMBERSHIP RULES

In any trade or industry in which labor organizations are active, every worker and employer is directly or indirectly affected by the rules and regulations having to do with the acceptance and retention of members in the union. Membership rules are of paramount importance in the trades and plants whose contracts require union membership as a condition of employment. In all plants where collective bargaining exists, the nonunion employee as well as the union member is bound by the terms of the contract negotiated by the union. If a nonunion employee is dissatisfied with those terms and decides to join the union in order to bring about changes in the employment contract, he immediately becomes interested in the union's qualifications for acceptance.

The aim of a union generally is to take in as many as possible of those employed within its jurisdiction. Although some unions may place certain restrictions on the acceptance of candidates for membership, the tendency is in the opposite direction, since it is the chief aim of the unions to expand their membership by accepting any and all persons who can liberally be interpreted as being employed in the trade or industry over which they have jurisdiction.

The broad provisions specified in the national unions' constitutions necessarily allow wide latitude in practice within any local organization. Also, a local union may be able to circumvent the spirit if not the letter of its national's constitution. For example, the constitution may specify that there shall be no discrimination as to race, but the members of a local organization may have a tacit understanding among themselves not to recommend anyone of the colored race for membership. Likewise, a broad requirement that all applicants must be "of good moral character" may be interpreted variously upon different occasions.

Restrictions on Membership

The attitude of unions on citizenship, sex, and racial requirements has been dominated by the fear that recent immigrants, women, and Negroes are a competitive menace to the wage and working standards which the unions have already obtained or hope to gain. Throughout the years there have been conflicting opinions within the labor movement as to the best course to follow—whether to debar these groups from membership and seek to keep them out of the trade altogether, or allow them to join the union and thus reduce the hazard of having entrants into the trade accept jobs under competitive nonunion conditions. Negroes and immigrants, for example, have frequently been employed for strikebreaking and antiunion purposes[4] and women have been hired for wages which are far below union standards.

Most generally, the unions have deemed it wisest in the long run to alleviate the competitive menace of persons willing to accept

[4] Notable examples were the use of Negro strikebreakers in the Illinois Central Railroad shopmen's strike in 1911 and the longshoreman and railroad strikes in the early 1920's, and the importation of Negroes in the West Virginia coal fields during the 1920's.

jobs at low standards by taking them into the unions. Almost all of the national unions, both A.F.L. and C.I.O., are nonrestrictive. A number of unions, especially those established at the time of the heavy influx of immigrants into this country, specify that members shall be citizens or at least have applied for their first citizenship papers. Although a dozen of the craft unions restrict membership to males, most of these are in building and other trades where few if any women are employed.

Provisions with respect to political beliefs and affiliations have always presented a delicate problem to unions. In line with their traditional policy of political nonpartisanship, the unions have adhered to the general principle that there should be no political qualifications or requirements for individual members.

An important qualification of this general expression of political freedom is specified in some union constitutions and implied in others, namely, that members shall not be identified with the Communist party or any political program that is considered inimical to the present form of American democracy. Thus, a number of constitutions state: "No person shall be excluded by reason of his religious belief or political affiliation *provided* he is not a member of any organization hostile to the American form of government." In contrast to such qualified statements are provisions in many constitutions which specify that persons shall be accepted into the union "regardless of nationality, race, religious or political beliefs or affiliations."

The absence of a qualified statement in a union's constitution, or a provision which seemingly places no restrictions upon political action, does not in itself indicate that the union will accept or retain individuals who engage in activities commonly considered to be contrary to American union philosophy. It may merely indicate that no situation or problem has arisen in the union which has caused it to incorporate a specific restriction in its constitution.

By and large, labor unions have been much more liberal in their attitude toward accepting Negroes into membership on an equal basis than have most other groups in this country, including churches and educational and professional organizations. Racial equalitarianism has been the policy adopted by most of the labor movement since the earliest times. For many years after its formation the A.F.L. insisted that all its affiliated unions eliminate color

restrictions in their constitutions in line with its declared policy that "working people must unite and organize irrespective of creed, color, sex, nationality or politics."[5] Much like the initially declared policy of the A.F.L. is the stated object in the present C.I.O. constitution, namely, "to bring about the effective organization of working men and women of America regardless of race, creed, color, or nationality."

The precepts adopted at conventions, however, have sometimes been ignored or been abandoned altogether, at the insistence of rank-and-file members. Not many years after its formation, the A.F.L. began to admit unions with color restrictions, and its present constitution does not mention membership qualifications. Although the matter is left to each of its constituent unions, when an affiliated national union refuses to accept Negroes, the A.F.L. frequently organizes them into locals (federal labor unions) directly under its jurisdiction. While none of the C.I.O. nationals have adopted any restrictive rules against Negroes, its officers in a number of instances have had to bring pressure upon their local groups not to deny Negroes the full benefits of union membership and rights established by collective agreements, particularly with reference to upgrading and seniority.

At present, the absolute exclusion of Negroes by constitutional provision exists only among some of the railroad unions. Although none of the other unions explicitly bar Negroes from membership, some allow them an auxiliary status only. In some instances restrictions are placed on the kinds of occupations the colored members may pursue, although such restrictions may not appear in the constitutions.

Membership Restrictions and the Law

During recent years union control over their admissions into membership (as well as expulsions) has been qualified by two kinds of laws—the 1947 National Labor Management Relations Act and the Fair Employment Practices Laws which have been enacted by a number of states.

The Labor Management Relations Act specifically says unions

[5] *Convention Proceedings*, 1897, p. 82. For a detailed discussion of the practices and policies of unions with respect to Negroes, see Herbert R. Northrup, *Organized Labor and the Negro*, Harper & Brothers, New York, 1944.

have the right to prescribe their own rules with respect to the acquisition or retention of members *but* the Act makes it an unfair labor practice for an employer to deny employment under a union-shop contract, or in any way to penalize an employee for nonmembership, if the employer has reasonable grounds for believing that union membership was not available to the employee on the same terms applicable to other members, or if the employee was expelled from the union for any reason other than nonpayment of regular dues and assessments. According to this law, therefore, a union can establish any membership rules it wishes, but it cannot enter into a union-shop agreement with an employer if its regular membership rolls are not open to all individuals and groups whose occupations and skills come within the union's jurisdiction. Some of the implications of these restrictions upon a union's ability to control its membership are discussed in Chapter 25.

Fair Employment Practice laws, as the term implies, are aimed at hiring policies of employers as well as membership policies of unions.[6] Typically, the laws make it unlawful for an employer to refuse to employ, or to discharge from employment, or to otherwise discriminate against an individual in conditions or privileges of employment; or for a labor organization to exclude or to expel from membership or to discriminate in any way against any of its members because of race, creed, color, or national origin.

Suspension and Reinstatement

After once joining a union a member is expected to continue his membership as long as he is employed in the industry or trade within the union's jurisdiction. For that reason the term "resignation" is seldom if ever used by unions. If a member changes jobs but remains in the trade or industry over which his union has jurisdiction, he obtains a transfer; if he retires or changes his occupation to one outside the jurisdiction of his union, he applies for an honorable withdrawal or retiring card. Any separation from the union other than honorable withdrawal or transfer is cause for

[6] New York was the first state to pass an antidiscrimination law in 1945. Since then similar laws have been enacted in New Jersey, Massachusetts, Connecticut, Rhode Island, Washington, Oregon, New Mexico, and three cities—Philadelphia, Minneapolis, Cleveland. Several other states and cities have antidiscrimination laws, but since they do not provide for enforcement they are merely statements of policy.

suspension—for example, dues delinquency or, as happens infrequently, violation of union rules.

Union constitutions generally provide that if a member fails to pay his dues for a certain length of time—most commonly two to six months—he is automatically suspended. If a member works for an employer who has a checkoff arrangement with the union, dues paying automatically continues for the duration of the agreement with that employer. In some plants which do not have the checkoff, union officers are privileged to collect dues in the work place or at the factory gates on payday. Elsewhere it is the responsibility of each individual member to go to the local union headquarters to pay his monthly or weekly dues.

Requirements for the reinstatement of suspended members vary. In unions with low initiation fees, where there is no union-shop agreement, members may be inclined to allow their dues to lapse if rejoining at any time is too easy. Such lapses in membership tend to take place after a wage increase or other improvement in working conditions has been obtained or, conversely, during times when the union is not able to gain immediate benefits for its members. In unions with relatively high initiation fees, the membership is more likely to be stable, since the cost of reëstablishing good standing more than offsets the continued payment of dues.

As a deterrent to frequent lapses in membership, most unions require the full payment of all back dues and assessments, in addition to a specified reinstatement fee, especially if the member has been continuously employed in the interim. In some cases the reinstatement fee, or rejoining fee as it is sometimes called, is less than the original initiation fee; where the latter is nominal, the reinstatement fee is likely to be somewhat higher. Some unions make no distinction but require their suspended members to pay the regular initiation fee in addition to all back dues and assessments. A few require no payment of back dues or assessments but have a relatively high reinstatement fee, for example, as much as $30 or $50.

Expulsion

While expulsion for causes other than nonpayment of dues is infrequent, it nevertheless is a serious matter and may prove a hardship in individual cases. Unions naturally consider as the

most serious offenses the actions by individuals or groups which jeopardize the union's existence or prestige, such as instigating internal factional disruption, promoting or aiding a rival union, or going to court about internal union matters. Here, of course, unions face the same problem as does any political or other organism, namely, the inherent contradictions of group solidarity versus individual freedom.

In their day-to-day functioning, unions and their officers are continually faced with the problem of how to impose the discipline that is necessary for effective group action and at the same time preserve maximum individual freedom of speech; how to maintain organizational cohesion and unity of purpose and at the same time retain sufficient flexibility to permit group protests which might result in changes in the customary procedures. Permissible grounds for expulsion and the methods by which it is consummated are important criteria of the way a union seeks to reconcile the necessities of efficient administration with maximum freedom of expression and action on the part of its members.[7]

Although some union constitutions do not specify particular causes for expulsion, all of them carefully outline the procedure to be used when charges are brought against a member. In many of them the grounds for expulsion are described in such general terms as "violation of union rules" or "continued offense against the union." A number add to these general expressions such specific offenses as intemperance or selling alcoholic beverages (common among railroad unions), accepting a job declared unfair by the union, working in a nonunion shop, strikebreaking or, conversely, going out on strike without the sanction of the union. Essentially, such constitutional provisions are designed to permit expulsion only when basic union rules are violated.

In contrast are the provisions in a number of constitutions that itemize numerous causes for expulsion which, if enforced, might result in the expulsion of a member who openly voiced dissatisfaction or sought to solicit votes for a change in the union's program or officers. Such potential infringements on the members' freedom of speech generally turn on such clauses as "making untruthful

[7] For a discussion of intra-union controls and discipline, see Philip Taft, "Judicial Procedure in Labor Unions," *Quarterly Journal of Economics*, May, 1945.

statements," "impugning the motives of officers," "misrepresenting the union and its officers." Obviously such clauses are subject to various interpretations under given circumstances. Their potential dangers are greatly mitigated, if not eliminated, if the accused member is insured a fair trial before a heavy fine or expulsion is imposed.

With few exceptions, the constitutions of the national unions provide for open hearings for trial and at least a majority—more generally two-thirds—vote of the local membership, and progressive appeal from the local union's action to the national president, the general executive board, and finally to the national convention, or, in a few instances, to a referendum vote of the entire membership.

As with all human arrangements, there have been some complaints by persons who claim they were expelled for unjust cause and without fair trial.

Foremen and Supervisors

The question of whether or not to allow or require foremen and supervisors to belong to unions has always been a troublesome problem to all parties concerned—management, unions, and the foremen themselves. Most foremen have been promoted from the machine or work bench and in organized shops were of course union members before becoming foremen. If they belonged to unions which maintain old age and sick benefit plans, they naturally do not want to lose these benefits toward which they have contributed for many years. Even more important, perhaps, is the risk of losing their seniority rights and the privilege of bumping[8] when they are no longer needed or wanted as foremen. This hazard is increased in seasonal industries where workmen are promoted to foremen during peak seasons and return to the machine or bench during dull seasons.

For an increasing number of foremen the desire to belong to a

[8] "Bumping" implies displacement of someone with less seniority. In most instances bumping according to seniority is confined to employees covered by the employer-union agreement. However, in some plants where foremen are not union members, special clauses have been negotiated which give displaced foremen the right to return to their former or to similar jobs according to their seniority standing before promotion to the foremanship or, in some cases, according to their accrued seniority including the time spent as foreman.

union is the same as it is for workers, namely, to exert group pressure in order to improve their economic status. This is especially true where foremen find that as a result of assuming their new duties and responsibilities their hours are longer and their pay little more, and sometimes less, than those of some of the employees who work under them. Moreover, in large mass-production industries the authority and prestige of the foreman's position have depreciated to the point where he participates very little, if any, in formulating company policies and is given limited leeway in applying such policies in his particular bailiwick. One among hundreds of others of the same status in the company, he is almost as anonymous to the top management as the rank and file workers and thus feels that he has little chance for any individual redress of grievances.

So far as union policy is concerned, some of the oldest unions have always favored the practice of having their foremen retain their membership because, as members, they serve to insure adherence to the union's work rules and in dealing with the higher management they can sympathetically interpret union aims and policies. Many unions, on the other hand, have been reluctant to allow members who have been promoted to foremen to continue their membership, and much less willing to accept as members foremen who were not previously members. This policy is based on the belief that the inherent nature of a foreman's job makes him an instrumentality of management in dealing with labor and that there can be no satisfactory commingling of management and union functions. Furthermore, many union members fear the dominant role foremen might take in union affairs if they were permitted to be active members. Foremen necessarily have leadership qualities which other members feel might be exercised at union meetings to the disadvantage of the rank and file. It is for this reason that a number of the unions which allow foremen to be members place some restrictions upon their participation in union affairs.

The alternative, however, is not necessarily between foreman not belonging to any union and being members of the union to which the men under them belong, for foremen may be organized into unions confined to persons of their own rank. There are several

long-established craft unions that are composed solely of foremen and supervisors in particular industries.

Unionization of foremen in the mass-production industries became an active issue several years ago. A newly organized union, The Foremen's Association of America, obtained recognition from the Ford Motor Company in 1943 but met with determined opposition from other corporations. In the numerous requests for elections and certifications which the Association took to the National Labor Relations Bord, the Board reversed itself several times but finally in 1945 (Packard Motor Car Company case) the Board held that independent unions composed of foremen only were entitled to protection under the NLRA. Employers actively opposed this interpretation and were instrumental in getting foremen and supervisors excluded from the definition of "employees" in the 1947 Labor Management Relations Act. While this Act specifically states that nothing in the Act shall prohibit supervisors from belonging to unions, it exempts employers from being required to bargain collectively with them. Several months after the enactment of this law, The Ford Motor Company withdrew its recognition of the Foremen's Association and this organization, although still battling for legal bargaining representation, has no signed agreements in any of the mass-production industries.

FINANCES AND DUES

While the total amount of money which passes in and out of all union treasuries currently amounts to several hundred million dollars a year, the reserve on hand at any given time in most unions averages not more than $5 to $10 per member. A substantial portion of the total income of many unions is paid out in death, old age, and disability benefits to individual members. The bulk, of course, is used to advance the general economic interests of the millions of workers who support the unions and to promote legislation and other measures which will improve the well-being of all workers, nonunion as well as union.[9] In union bookeeping the

[9] For example, wage and hour legislation, and safety, health, and social security programs, both federal and state. Not only does organized labor employ economists, lawyers, and others to take an active part in promoting such legis-

furtherance of these activities is chargeable to general administrative and organizing expenses.

Costs of Administration

On an average, over the years, the greatest items of expense to unions are the salaries and traveling expenses connected with administration and organization work, although at certain times other expenditures may be much greater.[10] The number of full- and part-time persons on a union's staff will vary not only in relation to the size of the organization but also in accordance with the activities conducted by the union at any particular time. During an active membership campaign a union will employ additional organizers; if engaged in litigation or negotiating an agreement involving the preparation of a good deal of statistical and legal data, extra lawyers and economists will be employed. Unions which engage in benefit programs must employ actuaries and accountants to administer these activities.

Since practice varies as to the relative amount of the services performed by the national office and its locals, the comparative costs as between national union administration and local union administration are not uniform. In most of the nationals the only elected officers who are paid on a full-time basis are the president and secretary-treasurer. The amounts of their salaries are usually specified in the union's constitution and are determined by convention vote, although some unions also require a majority referendum vote of the membership to change salaries.

The salaries of union officers differ not only according to the union's ability to pay but also according to its general theory of remuneration for such officials, as well as the attitude of the membership toward the particular person holding the office. Some unions, especially the smaller craft unions, base the salaries of their officers at about or slightly above the highest level of wages

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lation, but representatives of the unions are frequently called upon to serve on tripartite advisory committees and in other ways to assist in the effective administration of the laws. To the extent of the cost of these salaries and other expenses, the dues-paying members of unions are bearing the costs of benefits which are shared by all workers affected by the legislation, nonunion as well as union.

[10] A prolonged strike, for example, may involve many times the outlay of ordinary administrative expenses, in addition to loss of dues.

earned by their members at their trades. Other unions, especially those which deal with large corporations, feel that the prestige and effectiveness of their officers are enhanced if their salaries approximate those received by the employer representative with whom they deal. In many instances the salary paid a particular president or other official is a token of recognition and appreciation of his long service rather than an established remuneration for the office as such. The salaries of a majority of national union presidents range from $5,000 to $10,000 a year. About a dozen receive from $12,000 to $15,000, and at least seven receive from $20,000 to $30,000. In general, the salaries of the full-time vice-presidents and secretary-treasurers are about 20 percent less than those of the presidents.

Dues and Assessments

Members contribute to the support of their unions by payment of (1) membership dues, usually on a monthly basis; (2) special assessments, usually for some particular purpose; (3) initiation fees when they first join the union, and reinstatement fees if they have withdrawn or allowed their membership to lapse and seek to rejoin. On rare occasions fines may be levied upon members, but these are disciplinary measures and not for revenue purposes.

All money is collected by the local unions, either directly from the members or through the employers when unions have checkoff arrangements. The locals, in turn, forward certain specified sums to their national union and the other organizations with which they are affiliated, such as local joint boards, city centrals, and state federations. The amounts going to the federated bodies are usually limited to a few cents per capita taxes a month.

The large majority of union members are now paying dues of $2 a month, although some are paying as much as $3 and $4 a month, and a few are paying $5 or more a month. These latter, almost without exception, are highly skilled craftsmen. In several unions the dues are levied in accordance with earnings—for example, 2 percent of the weekly wages of each member.

None of the "low dues" unions maintain old age or other pension activities, although some carry group life insurance or maintain burial funds that pay a few hundred dollars upon the death of a member. In most of the unions which have dues as high as $3 or

more a month, a substantial portion of the funds collected are used to finance benefit programs such as old age and disability pensions.[11] A number of these unions have two classes of membership, beneficial and nonbeneficial; where the first class of members may pay dues of $3 or more, the dues of the nonbeneficial are $1.50 or $2 a month. The latter members are usually engaged in the less skilled occupations, or persons who were middle-aged or over before they were taken in as members.

On occasion the money received from regular dues may be insufficient to meet all the union's current or anticipated expenses. A union may decide to engage in an intensive organizing drive; its funds may have been depleted because of a prolonged strike or unusually heavy outlays for disability benefits; or it may vote to make a contribution to a benevolent cause. For such contingencies a single assessment may be levied upon each member, or a specified assessment may be levied for a given number of months.

Assessments may be levied by the national office, in which case all members of the union pay alike; or they may be levied by individual locals, in which case only the members of the particular locals are affected. Most commonly, assessments may be levied only after a two-thirds favorable referendum vote of the membership affected. Some constitutions impose a limitation even with referendum voting, for example: "not to exceed $2 a year" or "not more than 5 cents in any one month"; and a few prohibit special assessments under any circumstances. On the other hand, in a number of unions the general executive board is given wide latitude and has authority to levy special assessments "whenever necessary" or "whenever necessary to meet an emergency."[12]

[11] During recent years the national and locals unions affiliated with the A.F.L. have been paying a total of more than $65 million a year out of their treasuries for death, old age, disability, and other benefits.

[12] The 1947 Convention of the American Federation of Labor amended its constitution to permit the Executive Council to levy assessments on all affiliated unions "when the interests of the A.F.L. requires." The reasons for this broad grant of power was to enable the Federation to establish a "public relations program for the purpose of offsetting the widespread propaganda activities of the powerful forces arrayed against organized labor." The resolution pointed out that the National Association of Manufacturers was planning an annual $2,000,000 "public relations program."

The 1949 C.I.O. convention voted a 2 cent per month per capita tax for 12 months to tide over the loss of revenue resulting from the expulsion of Communist-dominated unions and to finance necessary reorganization.

Initiation Fees

A large majority of the present union members paid a fee of $2 to $5 when they were initiated into their unions, although a considerable number, especially those in the skilled trades belonging to craft unions, paid higher initiation fees—most commonly $10 to $25. Some have paid as much as $50; in a few locals, initiation fees run as high as $200 to $300, with a few instances of $500 or more. Initiation fees, unlike dues, are not levied primarily for the purpose of revenue, and the income from such fees is irregular. During periods of stabilized membership little is received in initiation fees, no matter how high the individual fee may be; during periods of expanding membership, as under wartime production, the initiation fees amount to considerable sums.

Unions which charge relatively high initiation fees regard them in the nature of a fine as well as a means of membership control. They maintain that the older members who have contributed many years to supporting their unions have enabled the unions to obtain higher wages and better working conditions than would have existed if there had been no unions. Since newcomers to the trade profit by these hard-won gains, the older members consider initiation fees a reimbursement for past services of the union, a method by which the new members share the cost of improved working conditions which they did not assist in procuring. This is evidenced in the practice of some unions of differentiating between the amount of fee charged those joining before a contract with the employer is signed and those joining after union conditions are established.

Historically, high initiation fees have been a means of controlling the intake into the union as well as into the trade. Unions which charge high initiation fees justify them on the grounds that they tend to stabilize employment for their members by acting as a deterrent to large influxes of new workers into the trade during temporary booms; for once new members are accepted, they not only share in the job opportunities during the temporary boom, but also claim rights to jobs when they become scarce. These unions contend that, if the need for extra workers is confined to one locality, their unemployed members elsewhere should be transferred, and that if it is a general but short-time boom the available

jobs should be stretched over a longer period for those already in the trade rather than have new members taken in. Unions which charge extremely high initiation fees claim that such fees are seldom if ever actually paid by anyone, but that they are a device for keeping out newcomers.[13]

The 1947 Labor Management Relations Act makes it an unfair labor practice for unions to require members employed under union-shop agreements to pay "excessive" or "discriminatory" initiation fees. The National Labor Relations Board is made the judge of the reasonableness of such fees, the law specifying that "the Board shall consider, among other relevant factors, the practices and customs of labor organizations in the particular industry, and the wages currently paid to the employees affected."

Financial Records

Provisions for the auditing of accounts and the reporting of the union's finances to the members are an important part of every union constitution. The constitutions of the nationals not only specify the method and frequency of auditing and reporting the nationals' accounts, but also contain regulations concerning their locals' financial records.

Almost all unions require an auditing of funds by certified public accountants at least once a year; many specify a quarterly or semiannual audit. The auditor's annual or biennial report is generally incorporated in the executive board's report to the convention and is published in the convention proceedings. Frequently

[13] An interesting development took place in 1949 with respect to initiation fees of New York longshoremen. At a time when the federal law made closed shop and union hiring halls illegal, the New York City Commissioner of Investigation of Waterfront Conditions asked the International Longshoremen's Association to close its membership books. (This A.F.L. union, unlike the C.I.O. Longshoremen's union on the Pacific coast, does not maintain hiring halls.) The Commissioner advised the closing of membership books because "the excess of workers scrambling for jobs created dissatisfaction and an unhealthy condition in an industry which employs casual labor. Until this surplus is eliminated," he said, "we cannot hope to stabilize labor conditions and improve the lot of the longshoreman."

The union president felt compelled to reject this proposal for closing his membership books, he said, because it could put the union in the position of violating the Taft-Hartley law and expose the union to charges of being a monopoly. He suggested instead that the union increase its initiation fee to $50 to discourage additional members.

the entire report or an abbreviated summary is published in the union's journal or in a special bulletin for distribution among the members. In response to recent public interest in union finances, a number of unions have adopted the policy of issuing the reports of their certified public accountants in pamphlet form for general distribution. As in business and other organizations, the practice varies with respect to the amount of detail covered in the published reports. Some of the financial reports of unions are brief and general, whereas others cite all items of receipts and disbursements, the reports covering as much as fifty or sixty printed pages.

Several states have enacted laws which, among other measures, require unions to submit detailed financial reports to designated state agencies. Under the terms of the 1947 National Labor Management Relations Act a union is deprived of all the benefits of the Act, such as the right to petition for election for bargaining agent, unless both the local union concerned and its national organization furnish annual financial reports to all members and file reports with the U. S. Secretary of Labor showing the following: salaries and allowances paid its three principal officers and any others whose compensation amounts to more than $5000 a year; the amount of initiation fees, dues, and assessments charged; the amount and source of all union receipts; the purposes and amounts of disbursements; total assets and liabilities at the end of the year. Although the general purpose of such legislation is laudable, the specific requirements are open to question both as to their feasibility and their effectiveness in accomplishing their purpose. This is one of the numerous questions regarding legal regulation of the internal affairs of unions discussed in Chapter 25.

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CHAPTER 21

COLLECTIVE BARGAINING

THE PRIMARY PURPOSE OF LABOR UNIONS IS TO NEGOTIATE WITH employers for the purpose of establishing the terms and conditions under which their members shall be employed. The employer-union agreement represents the consummation of these negotiations. A bilaterally signed agreement indicates that civil rights have been introduced into industry and that the personal, one-sided rule of managers has been replaced by rules and terms in whose making all concerned have had a voice.

A mutual agreement entered into by an employer and a union, like other contracts, is an expression of the various rights, duties, and privileges of those covered by the agreement. On the employee side, the contracting party is the union which a majority of the employees have chosen to represent them. While no law requires employers and employees to agree on any particular terms, once they have reached an understanding the union may require the employer to incorporate the terms in a written agreement. The National Labor Management Relations Act makes it an unfair labor practice for either the union or the employer to refuse to bargain collectively, once the employees' representative agency has been certified, and defines bargaining to mean "the mutual obligation . . . to meet at reasonable times and confer in good faith with respect to wages, hours, and other terms and conditions of employment, or the negotiation of an agreement, or any question arising thereunder, and the execution of a written contract incorporating any agreement reached if requested by either party . . ." Such agreements are enforceable in the courts like any other contracts.

The manner in which agreements are negotiated, the variety of subjects covered, and their substantive contents vary greatly between industries and within any industry, for the process and results of collective bargaining are necessarily influenced by many

factors—general economic conditions, as well as the situation of a particular employer, his attitude toward the union and collective bargaining, the strength of the union and the ability of its negotiators, and the desires and determination of its members.

Regardless of their specific terms, all employer-union agreements include two fundamental features, namely, the substantive provisions covering work conditions and the status of the union, and the rules of procedure for settling questions or disputes over the interpretation and application of the terms of the agreement. The latter are of major importance because no formalized body of regulations can cover the minutiae of day-to-day work conditions or forestall varying interpretations when applied to specific situations. Furthermore, business is a dynamic process; hence contingencies arise which could not be foreseen at the time the agreement was signed.

The machinery provided in union agreements for the settlement of grievances and disputes is discussed in a later chapter; here we are concerned with the process of the negotiation of agreements and their substantive contents.

THE BARGAINING UNIT

The unit of bargaining has a direct influence on the degree of standardization of wages and working conditions within an industry or area. Whether collective bargaining takes place between individual employers and local unions, or through associations of employers to cover large segments or an entire industry, very largely determines whether the terms of employment are uniform or dissimilar. Standardized wage rates (or other matters involving costs) tend to be what the marginal employer in the industry can afford, and there are advantages and disadvantages to everyone concerned in having a uniform level throughout the industry, or variations based on individual employers' ability to pay.

The policy of a union and of the employers in any industry with respect to the bargaining unit may vary from time to time and from area to area. Among the factors which affect the union's policy regarding bargaining with an individual employer or on a wider basis are the strength of the union, the number of employers and the degree of centralized control in the industry, the size of

the establishments and their proximity to each other, and their relative prosperity. If a few employers are especially prosperous, the union may wish to bargain with them separately and use these agreements as a vanguard for negotiating agreements elsewhere in the industry as conditions warrant.

The willingness or reluctance of employers to bargain collectively on a wide basis depends largely upon their competitive situation. If labor costs are an important factor in selling costs, the employers who are paying relatively high wages may wish to have the entire competitive market under the same or similar agreements. On the other hand, some employers consider it advantageous to pay better than prevailing rates in order to be able to attract the best workers, and therefore do not welcome standardized wages even though they would entail no advance in their own rates.

In general, unions are more favorable to bargaining on an industry-wide basis than are employers, and the tendency in recent years is in that direction. Unions feel that united action throughout an industry will result in generally higher standards than could be obtained through piecemeal bargaining with individual employers. Some employers, on the other hand, are opposed to industry-wide bargaining in principle and in practice. To them it appears to be one more step away from individual plant control and the intercompany distinctions which promote competition. Many of these same employers, however, have also expressed opposition to a firm's paying higher than the prevailing rates "just because it is more prosperous than its competitors and can afford to do so."

Bargaining with Individual Employers

In spite of the current trends toward wider bargaining units, most of the agreements now in effect are made in the name of a single company and the local union to which its employees belong. If all the employees in a plant belong to a single local union, one agreement results. If, however, the employees are organized into separate unions according to craft or occupation, each union may either sign a separate agreement with the employer or jointly negotiate and sign a single agreement. Joint bargaining on the part of craft unions may strengthen the bargaining power of the individual crafts and from the employer's point of view eliminates

the necessity for extended negotiations with several unions, each of which represents only a portion of his employees.

In the case of large corporations with a number of plants, the various local unions may sign jointly with the central office of the corporation. In this way, a single agreement may cover plants in widely separated geographical areas. Even when each local union negotiates separately with each plant management, the substance of the various agreements for all the corporation's plants may be similar. In the case of multiplant corporation and industry-wide agreements, the national office of the union may take a prominent part in the negotiations. Generally the corporation-wide agreement establishes the relationships of the parties, the general wage levels, and the machinery and procedure for further negotiations. Many subjects, including individual wage rates, are then negotiated locally between the various plant managements and the local unions.

Industry-Wide Bargaining

There are only a few instances of formal industry-wide bargaining in this country, although what approximates it obtains in a number of industries. A necessary corollary to such a bargaining unit is a wide degree of organization among both employers and employees throughout the industry. Until recent years few industries were widely unionized, and in only a few industries were most or all the employers members of employers' associations.[1] Instances of industry-wide bargaining which have been in effect for many years are found in the pottery, glass (except several of the largest companies), wallpaper, and elevator manufacturing industries. Even in these industries, however, wage rates are sometimes negotiated locally.

In anthracite mining a single agreement is signed to cover all mines, and in recent years the equivalent of industry-wide bargaining has existed in bituminous coal mining, where the separate agreements expire on the same date. Once the terms for the most important producing areas have been agreed upon, the other districts proceed to sign agreements with virtually identical general

[1] The employers' associations with which unions negotiate are usually not the regularly established trade associations which deal more with marketing, public relations, style problems, etc., than with labor relations.

terms but with specific wage rates that are adapted to local conditions.

The traditional bargaining unit in railroad transportation is the individual railroad company or system, with each of the operating crafts (trainmen, engineers, etc.) negotiating separate agreements with the various systems, and the maintenance employees (shop crafts) negotiating joint agreements with each system. Although the agreements continue to be signed by each railroad system, during recent years it has become the practice to negotiate major questions of wages, vacation allowances, and general working rules on a national scale.

Several factors have promoted or encouraged industry-wide bargaining within recent years. The gradual expansion and increased strength of labor unions have facilitated their ability to obtain a larger unit basis, and at the same time have induced employers to unite for mutual protection in their dealings with the unions. Another influence was the government's wage program during World War II which directly and indirectly tended to establish uniform terms of employment within an industry or at least within an area.

One of the basic provisions of the Wage Stabilization Program was the removal of "inequalities" in wages within industries and areas in order to reduce labor turnover and eliminate competitive bidding for workers. More important than the leveling of specific wage rates was the change in the pattern of collective bargaining resulting from the operation of the stabilization program. Both employers and unions found it feasible to centralize their research facilities and employ "experts" to present their cases when wage adjustments were subject to complicated formula, and applications for changes had to be accompanied by detailed factual data, and perhaps oral hearings at Washington. It became the tendency to talk and negotiate in terms of industries rather than of individual concerns.

This was exemplified in the steel industry where disputes were presented to and settled by the National War Labor Board either on an outright industry-wide basis or for important segments of the industry, with the understanding that the remainder of the industry would also accept the awards. This also took place in the shipbuilding, meat-packing, automobile, and other industries.

The maritime industry presents a vivid illustration of the evolution of industry-wide bargaining as a result of union pressure. During the period between the two World Wars when there was no effective unionization, each shipping company and longshore contractor established its own rates and terms of employment. But the new unions which were organized during the 1930's insisted upon dealing with employers on a port-wide and later on a coast-wide basis. In 1946 virtual industry-wide bargaining was effected when the C.I.O. maritime unions formed a Committee for Maritime Unity and, after a threatened general shipping strike, obtained a settlement covering all their members on all three coasts. (The agreement, however, did not cover A.F.L. seamen or C.I.O. seamen on the Great Lakes.)

During the early stages of discussion on what became the Taft-Hartley Act, many Congressmen voiced approval of an outright ban on industry-wide bargaining. Later, when these Congressmen discovered that many employers favored bargaining on an industry-wide, or at least a regional, basis, the question of prohibition of industry-wide bargaining was dropped. As finally passed, the Taft-Hartley Act makes it an unfair labor practice for a union "to restrain or coerce . . . an employer in the selection of his representatives for the purposes of collective bargaining or the adjustment of grievances." This restriction, in effect, prohibits a union from forcing an employer to bargain through an employers' association if he chooses to bargain separately, but it does not prevent multiple-employer bargaining if the employers so desire.[2]

[2] Congressional desire for legal restrictions against industry-wide bargaining was largely a reaction against the general coal strikes which were taking place at that time; Congress felt that if agreements had to be negotiated separately it would obviate general shutdowns in the industry. Paradoxically, when the first coal agreement after the passage of the Act was being negotiated in 1948, President Lewis of the United Mine Workers refused to allow the Southern Coal Producers Association to participate in the joint conferences with the rest of the industry. Invoking the above cited clause in the Taft-Hartley Act disallowing union coercion of employers in their choice of bargaining agent, the National Labor Relations Board obtained a court injunction compelling the United Mine Workers to bargain with the Southern Producers in order that the industry-wide negotiations could proceed.

During the prolonged coal dispute in 1949–1950 when John L. Lewis was unable "to break down the resistance" of the operators' association, he began to bargain on an individual employer basis and was able to sign up a number of the smaller coal operators. When the dispute was finally settled the large and

Bargaining for Geographical Areas

When a number of companies in an area who are engaged in the same industry have signed agreements, a frequent development is the formation of an employers' association to represent the unionized firms in that area and industry. This has been the development of collective bargaining relations in the various branches of the clothing industry in the major centers. In this industry, when an agreement is entered into by an association of employers on behalf of its members, the agreement generally specifies that the terms are applicable to all the association's members. Some agreements, however, provide that terms are binding only upon the members who ratify it or who authorize the association to enter into such an agreement. There may be a requirement that the union shall be furnished a copy of the authorization or of the names of the companies ratifying the agreement, in order that it may know which employers are bound by the terms. Resignation, suspension, or expulsion from the association usually does not relieve an employer from his obligation to abide by the agreement.

In the men's and women's clothing, men's hats and millinery, and fur industries, there is highly developed industrial relations machinery in each of the metropolitan areas which are important as producing centers. These unions and employers' associations customarily make use of permanent impartial chairmen to administer the agreement. In addition, joint trade boards, stabilization commissions, and other similar union-management bodies are frequently established to deal with particular problems that arise from time to time. The employers in a given city are usually organized into more than one association within each of the garment industries. The basis of distinction is both the price line of the product and the classification of employers—that is, jobbers, contractors, inside manufacturers.

In the hosiery industry a bargaining relationship of several years' standing exists between the Full-Fashioned Hosiery Manufacturers and the Federation of Hosiery Workers. The employers' association, originally covering only Philadelphia mills, now cov-

small operators were as anxious as was the union to preserve the industry-wide bargaining structure, with the result that a national wage contract was signed in March, 1950.

ers a major part of the northern section of full-fashioned hosiery manufacturers. In the textile industry there are association agreements between the Textile Workers' Union and the silk and rayon mills in the Paterson, New Jersey, area. A joint arrangement of longer standing exists for the dyeing and finishing of textiles in nonintegrated mills.

The pulp and paper industry, though dealing elsewhere on the basis of individual companies, in the Pacific Northwest is combined into the Pacific Coast Association of Pulp and Paper Manufacturers, which deals with the two paper unions jointly.[3] The dominant method of bargaining in the organized section of the lumber industry is through employers' associations in a producing area. For intercity trucking, the Teamsters' Union usually negotiates with employers' associations whose operations cover several states; one of the largest is the Midwest Agreement, which covers over-the-road hauling in twelve North Central States.

In many other industries and trades characterized by numerous small establishments within a city, collective bargaining has been conducted with associations of employers in that city. In many cases the associations are formal organizations whose officers have power to bind all the members to the agreed terms of employment. In other cases the employers may unite informally and perhaps only for the duration of the bargaining conferences. In some instances the lack of a continuing employers' association makes no difference in the actual negotiation of the agreement, but considerably complicates its enforcement. Several industries in which the predominant method of dealing is with city-wide associations are brewing, retail trade, baking, printing and publishing, restaurants, local trucking, and barber shops.

The Building Trades

More city-wide association bargaining is found in building construction than in any other single industry. Almost half the build-

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[3] A number of studies have been made on the process and results of this regional agreement. Two recent ones are: "Causes of Industrial Peace," Case Study No. 1, *National Planning Association*, Washington, D. C., 1948; and "Multiple Employer Bargaining in the Pacific Coast Pulp and Paper Industry" by Clark Kerr and Roger Randall, University of California Press, Berkeley, Cal., 1948.

ing-trades agreements are negotiated by permanent associations of contractors and individual unions. Usually, after the agreement between the union and the association has been consummated, non-association contractors are offered agreements containing identical terms, with the exception that some of the joint machinery for settling disputes between the union and association members is of necessity modified. In a few instances, advantages are given to association members, such as a provision that they shall have preference in obtaining union workmen.

A number of building-trades agreements are negotiated by the individual unions with temporary associations of contractors through joint committees appointed for that purpose. Under such circumstances the accepted terms are incorporated either in a single agreement which each employer signs, or in separate identical agreements signed with each employer. Where there is neither a permanent nor a temporary association of employers, the individual building-trades local, often after obtaining tacit acceptance from some of the leading contractors, prepares a contract that is automatically accepted by each unionized firm in the locality. Frequently there is no regular agreement that includes all the usual provisions. Instead, the employers either sign a memorandum or orally give affirmation to pay a specified wage and abide by the working rules of the union.

"Standard" Agreements and Union Labels

In the absence of association bargaining, unions often achieve standardization of wages and working conditions on an industry-wide or market-wide basis by negotiating nearly identical agreements with individual employers. Ordinarily, the individual employers with whom such agreements are negotiated are confined to an industry or trade in a metropolitan area. This is true not only of the retail and service industries but, in some centers, of manufacturers whose products flow into interstate markets.

A degree of uniformity is sometimes effected by having the national union office exercise control over local agreements, such as requiring its approval of them or issuing standard agreements or union-label and "shop-card" agreements. Generally, provisions dealing with apprentices, arbitration, and membership status are standardized and enforced on an industry- or trade-wide scale

more often than are provisions regarding wage rates, hours, and working conditions.

The common practice in regard to the approval of local agreements is to have the union constitution require that agreements shall not be considered finally ratified until approved by the national union office. As an incentive toward standardization, some unions make available to their locals printed forms of agreements to be negotiated with local employers. These forms, or "standard" agreements, contain the minimum requirements that have been adopted through convention action (usually appearing in the constitution and by-laws) and have blank spaces in which locally negotiated wage rates, hours, and working conditions may be inserted.

Similarly, the national unions often issue standard union-label agreements that set forth the minimum terms under which employers may use the label. Supplemental agreements establishing local wage rates and working conditions are negotiated. Since the use of the union label is strictly under the control of the national union, a measure of uniformity may be achieved among employers who sign the label agreement.

Local unions in some retail and service trades often secure standardization throughout the city by the use of the union-shop card. To secure a shop card the employer agrees to observe the minimum standards of the national union and, in addition, the local's wage rates, hours, and working rules. Changes in local working conditions are negotiated in joint conferences between the locals and the employers. In the absence of an employers' association, a local may adopt a change by a vote of the membership and merely advise the employers regarding it. The shop-card and union employees may then be withdrawn from employers who do not conform to the new rules.

THE BARGAINING PROCESS

Annual negotiations between employers and unions are most frequent, even though the agreements do not always specify that they are to be in effect for only one year. Many agreements are of indefinite duration but are subject to renegotiation upon notice by either party. Some agreements are negotiated for periods of

two or more years without privilege of alteration. Although the longer period may seem to insure greater stability in the employment relationship, if drastic economic changes occur in the meantime, either the employer or the workers may find it difficult to abide by the contract. Numbers of strikes and lockouts have taken place as a result of "frozen" wage rates which were agreed upon some time before a rise or fall in prices and the cost of living occurred.

Regardless of the period the agreement is to remain in effect, most agreements have always required the party which wishes it changed or terminated to notify the other party thirty or sixty days in advance of the expiration date so that new terms can be negotiated without interruption of the contractual relationship. The 1947 Labor Management Relations Act requires the filing of sixty days' notice by either party wishing to terminate or modify an existing agreement, during which time the parties must meet and confer for the purpose of negotiating a new contract. As discussed later, the law also has provisions concerning the settlement of any issues which are not resolved through these conferences of employer and union representatives.

Union Procedure

The effectiveness of a union in negotiating agreements depends considerably on the composition and experience of its bargaining committees. Union negotiations usually are conducted by officers of a local union or of a joint board or district council, although the national representatives may be consulted for advice prior to or during the negotiations, or they may participate directly in the bargaining, especially with the larger employers. These national representatives generally have major responsibility in regional or industry-wide negotiations and in bargaining with a large corporation for an agreement covering many plants.

A union chooses its strongest leaders for the task of negotiating either a new agreement or a renewal. Ordinarily, these leaders are the president and other elected officers, although other union representatives may be put on the negotiating committee, or a special committee may be selected. If the union employs a business agent, he is usually a member of the committee and may play a primary role in negotiations.

There are several ways in which the members of a union may exercise control over negotiations. First, the members of the negotiating committee are elected or appointed by officers who are themselves elected by the members; second, the demands to be made upon the employer are usually submitted for approval to the members prior to the negotiations; third, the tentative agreement reached with the employer is submitted to the members for ratification at which time the members of the negotiating committee are required to defend the results of their bargaining and explain why any compromises were made.

When the bargaining involves an employers' association or a large corporation and a number of local unions, it is common for each local to recommend the terms it desires to be included in the agreement to a joint conference of representatives from all the locals. These representatives, in consultation with the national union officers, decide the exact nature of the demands to be made, and may elect a negotiating committee. Any agreement reached with the employer is then submitted to the local unions for ratification.

Employer Procedure

The negotiating machinery on the employer's side depends largely on the size of the company and whether or not the employer is a member of an employer's association. A small owner-employer who is not a member of an association usually bargains directly with union representatives, although he may enlist the aid or advice of his lawyer. Where there are many small employers within a producing area, an employers' association, as already indicated, may function as the bargaining agent for the member employers. Negotiations may be conducted by the secretary and the executive officer of the association, or a special committee of member employers may be appointed. After the agreement has been drafted it may be signed by the executive officer or negotiating committee for the association, or each employer member may affix his signature.

In large companies the negotiating process depends upon the corporate structure. In some instances the plant manager may negotiate final terms, frequently with the aid of the industrial relations director. In other cases, when the agreement is negotiated

by the branch manager, it does not become final until it is approved by the corporation's central office. Elsewhere, the central office negotiates directly with the union either one agreement to apply uniformly over all its plants or different agreements for its various plants. The latter, however, is infrequent unless the plants are engaged in different types of work or the employees belong to different unions.

Outside Aid

Either or both parties may seek outside help in reaching an agreement, especially if there is a stalemate in the direct negotiations and a work stoppage is threatened or has taken place. Employers, and to a less extent unions, may hire lawyers to assist them in drawing up their agreements, although many prefer not to emphasize the legalistic approach to agreement negotiations. This can be avoided, of course, if the lawyer has had industrial relations experience as well as training in economics and law.

If the employer refuses to negotiate with a particular union on the grounds that a majority of his employees do not belong to it, recourse may be had to the National Labor Relations Board if the company is engaged in interstate business or, if intrastate, to state labor relations boards where they exist. These agencies then hold elections or otherwise decide whether or not the union should be certified as the exclusive bargaining agency.[4] If a controversy arises over the specific terms to be incorporated in the agreement, either party may ask help from the federal or state conciliation service. Since the conciliator has no legal powers of compulsion, his effectiveness is dependent entirely upon the prestige of his office, the assistance he can render by reason of his knowledge of the facts involved, his skill as a negotiator, and the willingness of the parties to compromise or come to terms.

If the conciliator's recommendations are not acceptable to one or both parties, they may decide to submit the issue to an arbitrator for final decision. On the other hand, either party may decide to use its economic strength to obtain its terms, and a strike or

[4] For railroad and airline employees the National Mediation Board determines the bargaining agency. See Herbert R. Northrup, "The Appropriate Bargaining Unit Question Under the Railway Labor Act," *Quarterly Journal of Economics*, February, 1946.

lockout may be called. Under such circumstances, the final terms of settlement are dependent largely upon which side is able to hold out longer, although an important factor is the pressure of public opinion, especially in work stoppages which result in inconvenience to the public. For every agreement that has been negotiated after a strike or lockout, thousands have been negotiated peaceably with no stoppage of work.

Factual Aids to Bargaining

The need and use of factual data in determining the terms and conditions of employment are increasing in importance as economic relationships grow more complex and collective bargaining processes become more extensive. Knowledge and mutual acceptance of specific facts remove many areas of conflict between employers and employees and minimize many others. The maximum use of all available data and the diligent search for additional facts indicate mature rational bargaining.

Knowledge of given facts, however, never automatically resolves all employer-worker differences. Beyond the point where all the parties connected with an enterprise are interested in its maximum prosperity, there remains the basic question of how the gross income of the enterprise shall be distributed. Similarly, although management and workers may agree in principle that standards of efficiency must be maintained, there still exist differences as to the relative value of specific efficiency methods. As aptly summarized by one who has observed the collective bargaining procedure: "While factual collective bargaining tends to develop a smoothly functioning employer-union relationship, it guarantees no millennium. Divergent interpretation of jointly determined fact will still provide disagreements. Conflicts of interest will continue to exist. Nevertheless, it seems beyond doubt that a factual basis for negotiations is an essential requirement for a mature system of collective bargaining."[5]

The parties negotiating an agreement must necessarily rely upon various kinds of data in making their determinations. Financial records of the company, economic data on the industry, wages and working conditions prevailing elsewhere, prices and cost of

[5] Neil W. Chamberlain, *Collective Bargaining Procedures*, American Council on Public Affairs, Washington, 1944, p. 98.

living, and other related matters are taken into consideration to a greater or lesser extent whenever a new agreement is negotiated. The employer in some respects is in an advantageous position with regard to factual data to support his claims. It is difficult if not impossible for the union to know the exact condition of the company's finances. On the other hand, a union that is national in scope can collect data from all its locals and thus be informed about the wages and working conditions throughout the unionized section of the industry. Employers' associations could also obtain from and disseminate information through their members, but in this country, at the present time, few of the established trade associations deal with problems of collective bargaining. Not all the unions maintain research facilities, but the number is increasing and at present research to facilitate collective bargaining is fairly common on both the union and the employer side.

PROVISIONS IN LABOR AGREEMENTS

An employer-union agreement may be a document of half a dozen typewritten pages or a 50-page printed booklet, although most agreements are 15 or 20 pages in length.[6] The extremely long agreements include occupational wage listings and detailed work rules, whereas the shorter agreements are confined to state-

[6] The merits of long versus short agreements are a frequent subject of discussion, especially at management conferences. Professor Slichter has made this interesting comment:

"A large proportion of our trade agreements are too long and complicated and contain too many rules. . . . When one picks up a British trade agreement, one finds it is just about as long as one of ours, but the length comes not from shop rules, but rather from the fact that the agreement spells out in considerable detail how cases shall be handled, where they shall go first, where next, where next, and where ultimately. If one may contrast in general terms the policies represented by the British trade agreement and the American, one may say that the Americans are more disposed to rely upon the legislative method —the method of a definite rule spelled out in advance—and that the British are more disposed to rely upon the administrative method—the method of settling individual cases in the light of particular facts. The British method is more flexible and more adaptable to a rapidly changing world. It is less likely to bind both sides by rules which later become obsolete and a handicap to each, but which are difficult to abolish because they have created vested interests among the workers or even among the employers." (Sumner H. Slichter, "The Contents of Collective Agreements," *Society for the Advancement of Management Journal*, January, 1938, p. 13.)

ments of policy and general rules of procedure, with the further specification that other documents, such as the company's book of rules and the union's constitution and bylaws, are to be observed. Regardless of their length, all agreements cover five major issues: (1) the type of recognition afforded the union; (2) basic wages and hours, including overtime and other items affecting earnings; (3) seniority rules; (4) work rules, including health and safety measures; and (5) procedures for settling disputes arising during the life of the agreement, as well as the procedure to be followed in opening negotiations for a new contract. These procedural provisions are discussed in a later chapter.

The specific provisions in employer-union agreements vary not only because of the necessary differences due to the nature of the industry or occupation covered and the customs and trade practices which have developed through the years, but also because of many dynamic influences such as the general economic situation prevailing at the time the agreement is negotiated, the competitive position of the particular industry or employer, the bargaining strength of the union, the desires of the employer and union members, the skill of the negotiating parties and the factual evidence each has presented during the negotiations, the presence or absence of governmental regulations, and the pressure of public opinion.

Union Status

One of the first and most important provisions of any agreement is that which outlines the basic relations between the employer and the union, namely, the degree of recognition extended, the membership status of present and newly hired employees, dues collection, the union's use of bulletin boards, and related matters.

Prior to the passage of the Taft-Hartley Act the degree of recognition varied from a closed shop to recognition of the union as the sole bargaining agent, which was the legal minimum requirement under the old NLRA. Under a closed-shop provision all employees covered by the agreement must be members of the union, and in addition all new employees must be hired through the union or be members of it at the time of employment. While a union-shop agreement also requires all permanent employees to be union members, the employer has complete control over the hiring of new workers; if they do not already belong to the union a probation-

ary period is usually allowed before they are required to join. Under a maintenance-of-membership provision, joining the union is optional, but after an employee once joins he must retain his membership for the duration of the agreement. Some agreements, in lieu of membership requirements, encourage membership by providing preferential treatment to members such as specifying that nonmembers shall be the first to be laid off and the last to be reemployed.

A year before the enactment of the 1947 Labor Management Relations Act more than 11½ million workers were covered by one or another kind of "union security" clause. This was equivalent to more than three-fourths of the total persons employed under collective bargaining agreements. All of these "union security" provisions have been affected in some way by the Taft-Hartley Act. The closed shop and preferential hiring have been banned altogether, and the union shop and maintenance-of-membership agreements are permissible only after a majority vote in secret elections. (As indicated in Chapter 24 both union- and closed-shop agreements are absolutely banned according to some recently enacted state legislation.) There are no statistical data available to indicate how this legislation has affected the numerical coverage of union security contracts, but the number of union-shop agreements has not declined even though the other types of "security" provisions have been affected. Closed and union-shop agreements are disallowed by the terms of the Railway Labor Act but the railroad unions are now seeking to have this provision in the law changed.

Maintenance-of-membership agreements were largely compromise arrangements which became popular during World War II, and after the war many unions were able to convert these clauses into union-shop agreements. More than 95 percent of the elections which have been held under the Taft-Hartley Act have been in favor of union-shop provisions. (The high number of favorable votes for the union shop came as a surprise to Congressmen who had favored the legal restriction on the assumption that rank and file employees were being "forced" into unions against their wishes.)

Closely allied to the matter of union status or degree of recognition is the question of how membership dues shall be collected.

The Taft-Hartley Act now makes illegal any contract provisions which permit employers automatically to deduct dues from the pay of all union members (the so-called "automatic checkoff") but specifies that dues may be deducted upon written authorization by individual employees. Such checkoff authorizations, the law states, "shall not be irrevocable for a period of more than one year or beyond the termination date of the applicable collective agreement, whichever occurs sooner." Since the law went into effect, individual authorization arrangements have become fairly common, having supplanted the former automatic arrangements. If the checkoff is not provided, the agreement may allow union officials access to the plant for the purpose of collecting dues, or grant the union the right to set up a booth on company premises to collect dues on payday.[7]

Wage and Hour Provisions[8]

Practice varies widely with respect to the amount of detail with which wage matters are treated in union agreements. In the case of small shops, the agreements may include itemized wage lists for each occupation; agreements for larger plants may specify minimum and maximum rates for the major job categories, or merely give a minimum learner or common labor rate. Where wage incentive plans exist, the agreements may specify the base or guaranteed rates and outline the conditions under which new production standards and piece rates are to be established.

Some agreements specify the form—cash or check—and frequency of wage payment. Other wage provisions relate to differential rates for night or hazardous work, call-back pay, guaranteed pay for reporting at the regular time and finding no work to do, pay when transferred to a different job, deductions for damaged work or for equipment used, etc. A few agreements, as indi-

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[7] Permission to collect union dues, distribute union literature, and carry on other union activities on company property but outside of work hours—for example, during lunchtime—has been ordered by the National Labor Relations Board under certain circumstances, viz., where plants are located at a distance from cities or where the employees' homes are scattered over wide areas, thus making it difficult for the union to get in contact with its members or prospective members except at their work places.

[8] See chaps. 14 and 16 for more detailed information on hours, vacation, and sick benefit provisions in agreements.

cated in Chapter 8, provide for lump-sum payments, or the payment of regular wages for a given number of weeks, in case of dismissal from the job through no fault of the employee.

Seldom do union agreements contain absolute restrictions on the number of hours employees shall be permitted to work, but almost without exception they provide penalty or overtime rates for all hours worked in *excess* or *outside* of the regular schedule. Most agreements establish both daily and weekly hour maxima—for example, 8 hours per day and 40 hours per week—although penalty rates are not paid twice for any given hours of overtime. Many agreements provide premium rates for Saturday and Sunday work, even though such work does not represent overtime. Special rates are also provided for second- and third-shift work, that is, night work, although these rates are usually only 5 or 10 percent higher than the regular day rates, in contrast to the time and a half or double time paid for overtime and week-end work.

Seniority Rules

Since seniority is a measure of a claim to a job, the clauses dealing with seniority are of major importance to both the employer and the employees concerned, as was indicated in Chapter 9. Practically all agreements contain detailed rules specifying how seniority is acquired—on a plant-wide, department, or occupational basis, or a combination of any of these—as well as how such rights are applied and lost.

Most union agreements provide that layoffs are to be made on the basis of strict seniority, employees with the shortest service record being laid off first, although some specify that the employer may retain a given nucleus of "indispensable" employees regardless of seniority. In order to preserve continuity in the grievance adjustment personnel, many agreements specify that union stewards shall be placed at the top of their respective seniority lists and thus be the last to be laid off.

Reëmployment is of course in reverse order to layoff, those with the greatest seniority being the first to be reinstated when work picks up. Some agreements establish a maximum period of layoff—for example, one year—during which seniority rights are retained, although many agreements explicitly or implicitly allow the retention of seniority rights for an indefinite period until such time as

the employer is able to offer a suitable job or the employee obtains work elsewhere.

Many agreements which apply straight seniority to reductions in force and reëmployment do not recognize an employee's length of service as the sole or primary consideration when promotions are made; in other words, seniority may govern only in the case of employees whose skill and ability are relatively equal. Some agreements, however, go further by providing that the oldest employee in point of service shall be given an opportunity to qualify for a promotional vacancy and that if, after a fair trial, he cannot qualify, the next in line shall be eligible, and so on.

Work Rules

In addition to the above provisions, and those relating to dispute and grievance adjustments discussed in Chapter 23, union agreements contain clauses outlining specific work rules as well as provisions concerning health and safety matters. Owing to the tendency of some employers in the past to use physical examinations as a means of discriminating against union members, and also because of the fear of depriving persons of needed employment, some agreements prohibit physical examinations as a condition of hiring, or during the period of employment. An increasing number, however, provide entrance examinations and periodical checkups thereafter, although many permit appeal to the family doctor in case of an adverse report from the company physician. Where examinations are provided, most agreements specify that they shall be at company expense.

Most agreements contain only general provisions concerning safety and sanitation, although a few of them go into much detail, especially in the case of hazardous occupations or where the public safety is at stake. Since most state workmen's compensation laws require the reporting of accidents by the employer, most agreements do not mention this, although conformity to the law is commonly specified. Some agreements provide for a special safety committee, which may be a joint management-union committee or one composed solely of union members. An increasing number of agreements, particularly those covering "dirty occupations" in which the workers must change from their street clothes, require the furnishing of shower baths, lockers, and dressing rooms.

Work rules necessarily differ for different industries and plants, and there is wide variation in practice as to the amount of detailed instructions included in agreements. A complete outline of the plant's working rules rarely appears, although existing company and union rules may be incorporated by reference. Aside from matters of discipline, clauses in agreements may state rules concerning apprentices and learners, the size of work crews and work loads, the distribution of work among employees, subcontracting and working on nonunion materials, the use of the union label and bulletin boards, the treatment of special groups such as handicapped or aged employees, the care and use of machinery, and the making of time and motion studies. Although some agreements include explicit statements pertaining to the prerogatives of management, in most of them such matters are implied rather than specifically mentioned.

EXTENT OF COLLECTIVE BARGAINING

The expansion of collective bargaining roughly parallels the growth of union membership, although the actual number of employees covered by collective agreements is not identical with union membership in three major respects: (1) There are scattered union members working for employers with whom agreements have not yet been negotiated although presumably they will be negotiated whenever a majority of the employees join the union. (2) As indicated above, agreements cover all the employees in the bargaining unit; only under union-shop agreements, in which all permanent employees belong to the union, is coverage approximately identical with union membership. In other plants agreement coverage would be more extensive than union membership. (3) There are thousands of government employees—federal, state, and municipal, including schoolteachers—who are union members but who are not working under the usual type of bilateral agreement existing in private industry.

Agreement Coverage

At least 15 million workers, or approximately 50 percent of all employees in private industry are now working under the terms of union agreements. About 70 percent of manufacturing wage earn-

ers as a whole are covered by agreements, and in such industries as aluminum fabrication, automobiles and aircraft, clothing, nonferrous metal smelting and refining, shipbuilding, and basic steel, over 90 percent are covered. Almost all the mine, maritime, commercial construction, and railroad workers, and over 90 percent of those in the local bus and street railway, airline, trucking, and telegraph industries are employed under union agreements.

Collective bargaining is not extensive in the clerical, professional, and service occupations except in the amusement and rail-

TABLE 20. Proportion of Wage Earners Under Union Agreements in 1950

Manufacturing Industries

80–100 percent	60–79 percent	40–59 percent	20–39 percent	1–19 percent
Agricultural equipment. Aircraft and parts. Aluminum. Automobiles and parts. Breweries. Carpets and rugs. Cement. Clocks and watches. Clothing, men's. Clothing, women's. Electrical machinery. Fur Glass and glassware. Leather tanning. Meat packing. Newspaper printing and publishing. Nonferrous metals and products. Rubber. Shipbuilding. Steel, basic. Sugar.	Book and job printing and publishing. Canning and preserving foods. Chemicals. Dyeing and finishing textiles. Gloves, leather. Machinery, except agricultural equipment and electrical machinery. Millinery and hats. Paper and pulp. Petroleum refining. Railroad equipment. Steel products. Tobacco. Woolen and worsted textiles.	Baking. Flour and other grain products. Furniture. Hosiery. Jewelry and silverware. Knit goods. Leather, luggage, handbags, novelties. Lumber. Paper products. Pottery and chinaware. Shoes, cut stock and findings. Stone and clay products.	Beverages, nonalcoholic. Confectionery products. Cotton textiles. Dairy products. Silk and rayon textiles.	(None.)

Nonmanufacturing Industries

80–100 percent	60–79 percent	40–59 percent	20–39 percent	1–19 percent
Actors and musicians. Airline pilots and mechanics. Bus and streetcar, local. Coal mining. Construction. Longshoring. Maritime. Metal mining. Motion-picture production. Railroads. Telegraph. Trucking.	Radio technicians. Theater——stage hands, motion-picture operators.	Bus lines, intercity. Light and power. Newspaper offices. Telephone.	Barber shops. Building servicing and maintenance. Cleaning and dyeing. Crude petroleum and natural gas. Fishing. Hotels and restaurants. Laundries. Nonmetallic mining and quarrying. Taxicabs.	Agriculture. Beauty shops. Clerical and professional, excluding transportation, communication, theaters, and newspapers. Retail and wholesale trade.

road industries. Practically all professional actors and musicians, as well as the clerical and supervisory personnel on the railroads, are employed under union agreements. In contrast, agreements cover less than 10 percent of the clerical and professional workers in manufacturing, financial, and wholesale and retail trade establishments. Most of the northern textile and hosiery mills are unionized but despite recent union drives, a majority of the southern mills remain unorganized.

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CHAPTER 22

LABOR DISPUTES

SO LONG AS FREE MEN AND WOMEN ENGAGE IN ECONOMIC UNDERtakings, there will always be disputes between employers and employees. A complete absence of disputes for any period of time would indicate a condition of absolute dominance of one group and abject servility of the other, a situation which makes for stagnation rather than progress. Likewise, the total elimination of interunion controversies could be attained only by stifling natural, and in some instances desirable, expressions of group rivalry.

The presence of a dispute does not mean that a work stoppage exists or that it must necessarily take place. It is sometimes argued that if a dispute can be settled after a strike or lockout occurs it could just as well have been settled without a stoppage; that work stoppages are therefore wasteful and unnecessary. This may be true in some cases, but the fact is that in many instances different terms of settlement are obtained following a work stoppage than would have been effected without the stoppage. It is the prospect and the hope of obtaining more favorable terms which induce workers (or an employer in the case of a lockout) to undergo the hardships and inconveniences of a cessation of work.

Moreover, the knowledge that a work stoppage can or may take place materially affects the nature of the bargaining relationship. Indeed, it can be said that the essence of collective bargaining is absent if the parties involved do not have the right or ability to use the economic pressure of a work stoppage. The possibility of the use of a strike or lockout as a last resort has been expressed as "an ever-present and controlling factor in the realistic processes of collective bargaining. Those processes lose all color of reality if the workers have not the right to reject the management's offer and quit, or if management has not the right to refuse the workers' terms and close the plant. It is the overhanging pressure of this

right to strike or to lockout that keeps the parties at the bargaining table and fixes the boundaries of stubbornness in the bargaining conferences. It sets the limit upon the aggressive and emotional conduct of the negotiations and dominates the situation in the final moments of responsible decision. Unless the negotiating parties are faced with this possibility of a strike or a lockout, and are forced to examine and accept the consequences of their own decision, they are free from the responsibility that makes genuine collective bargaining possible and produces through it creative results. Thus, for the ordinary labor dispute, the possibility of a strike or lockout is, in the last analysis, the most potent instrument of persuasion."[1]

To concede that the potential of a strike or lockout is a necessary condition for genuine collective bargaining does not imply that all work stoppages which have taken place were necessary or that stoppages should under all circumstances be allowed to take place. Work stoppages may be costly and sometimes disastrous to the parties who engage in them; they may seriously inconvenience and sometimes jeopardize the health and safety of the general public. The settlement of labor disputes before work stoppages occur is the goal of government, employers, and unions alike, and various methods for their prevention are now being utilized and many more are proposed from time to time. Short of an absolute ban on all strikes and lockouts which can be imposed only by a police state or totalitarian government, there is no one panacea for dealing with work stoppages resulting from labor-management disputes. Before considering methods for dealing with them, however, it is necessary to know about the causes which lead to work stoppages and the magnitude of the problem as reflected in their frequency of occurrence.

SIGNIFICANCE OF STRIKE ACTION

A strike is a temporary stoppage of work by a group of employees in order to express a grievance or to enforce a demand; a lockout is a temporary withholding of work from employees by an

[1] *Strikes and Democratic Government,* The Twentieth Century Fund, New York, 1947, pp. 13–14.

employer (or group of employers) in order to coerce them into accepting the employer's terms.[2]

Because of the relatively strong bargaining position which the employer usually has in the employment relationship, most stoppages take the form of strikes rather than lockouts. Most generally it is the employees who must take overt action to obtain new terms of employment or to protect existing standards. The employer needs only to announce that he will not raise his wages or intends to reduce them, and his proposals will *automatically go into effect* unless his employees protest. Work stoppages due to employer-labor disputes, therefore, are conceived of and generally referred to as strikes.

A strike is an evidence of discontent and an expression of protest; it represents the final act by which workers seek to better their condition or mitigate a worsening of conditions. While a strike indicates dissatisfaction, it is also a manifestation of hope. Workers driven to the point of despair, either because of fear of retaliation or because of the general hopelessness of their economic situation, seldom indulge in such overt acts as strikes. Their protests must necessarily take the form of sabotage or of a listless slowing down on the job.

Strikes Versus Other Forms of Protest

A strike is a temporary stoppage of work for specific reasons, entered into with the expectation that work will be resumed when a

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[2] Technically, the distinction between a strike and a lockout depends on the party which actually initiates the stoppage, but in actual experience it is frequently impossible to make a distinction. For example, an employer says he cannot operate a plant unless wages are reduced. The workers refuse to accept the reduction and the plant shuts down and reopens a month later at the reduced wage. Here the employer sought to enforce terms upon the workers, who at first refused to accept them. On the other hand, a union may announce certain terms which it says must be adopted as a condition of continued work by its members; work ceases when the employer refuses to accept those terms. In both cases, the workers would claim that these stoppages were lockouts, whereas employers would probably call them strikes.

Sometimes one party anticipates the action of the other. Employees are dissatisfied and strike talk is prevalent, although no date is set. The employer decides to act first and closes the plant or lays off the dissatisfied group for a specific time "to teach them a lesson" or "bring them to reason." In such a situation, if there had been no lockout, there would have been a strike.

settlement of the grievances is effected. So far as the intentions and attitude of the strikers are concerned, they look upon themselves as continuing to retain the status of employees of the company against which they are striking, with vested interests in their individual jobs and with the right to return to their jobs when they have reached a mutual agreement over the matters in dispute or, if unsuccessful, when they are willing to return to work on the terms offered by the employer.[3] Although some strikes arise over internal shop matters, most of them have broader implications and are directed toward a change in basic working conditions or employee-employer relationships.

A stoppage is effected either by walking out, not reporting for work at the usual or expected time, or reporting for duty but refusing to perform any work ("sit-down"). A walkout is a fairly clear-cut situation but the other two forms are sometimes difficult to interpret as strikes. For instance, workers in seasonal or intermittent trades—fruit pickers, seamen or longshoremen, building trades workers—may refuse to go to work on terms offered by prospective employers. There is no actual walkout since work has never started on the season's fruit picking, loading or unloading the boat, or construction of the building. However, when specific jobs need to be filled, the collective refusal of available workers to accept employment on the terms offered, is tantamount to a stoppage and can logically be called a strike.

Restriction of output or sabotage sometimes approximates a "sit-down" strike but cannot be identified as one unless the participants openly state that their action is done for specific reasons, and will be concluded if and when their grievances have been adjusted. Some unions which follow the practice of not allowing their members to work after the expiration of a contract and before a new one has been concluded ("no contract—no work"), maintain that such interruptions are not strikes. However, these stoppages are due to the inability of the union and employer to reach an agreement and therefore can be interpreted as strikes resulting from disputes over the terms of employment.

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[3] See chap. 24 for provisions in the Taft-Hartley Act regarding reëmployment rights of strikers.

KINDS OF WORK STOPPAGES

Work stoppages due to industrial disputes can be classified into four general categories, depending upon the relationship of the parties involved and the purpose for engaging in the stoppage: (1) a sympathetic strike in which the dispute is not primarily one between an employer and *his own* employees; (2) a jurisdictional strike which is due to a dispute between two or more unions for control of a particular class of work; (3) a stoppage which is the result of a dispute between rival unions as to which one shall be the representative agency for a particular group of workers; (4) a strike or lockout which is the result of a dispute between an employer and his employees. A large majority of work stoppages result from disputes between individual employers and their employees and take place when one party makes definite demands on the other.

Sympathetic Strikes

In a sympathetic strike the dispute is not primarily one between an employer and *his own* employees; it is called for the purpose of demonstrating the solidarity of workers and broadening the group pressure upon the employer against whom there is a strike for special cause. In some sympathetic strike situations the employer or employers involved may not be responsible in any way for the dissatisfactions which brought about the primary stoppage. In other cases, however, the workers' willingness to participate in the sympathetic action may be induced by the feeling that there is a tacit understanding among the several employers with regard to the issues involved in the primary dispute; that should the original strike fail their own work conditions will also be adversely affected.

Sympathetic strikes have never been common in this country; they have never amounted to more than 1 percent of the total stoppages in any year. Since they may involve suspension of a no-strike provision in employer-union contracts, they are resorted to only in extreme cases when the union or union standards appear to be in jeopardy throughout the trade. A sympathy strike is generally confined to one or a few employers engaged in the same or a related business to that of the employer against whom the

original strikers have a grievance. However, it may spread to most or all of the employers throughout the given industry and thus become an industry-wide strike.

If a sympathetic strike becomes so widespread as to include all or a large majority of the workers in different industries, it is referred to as a "general strike." Not more than a half-dozen general strikes have taken place throughout the history of this coun-

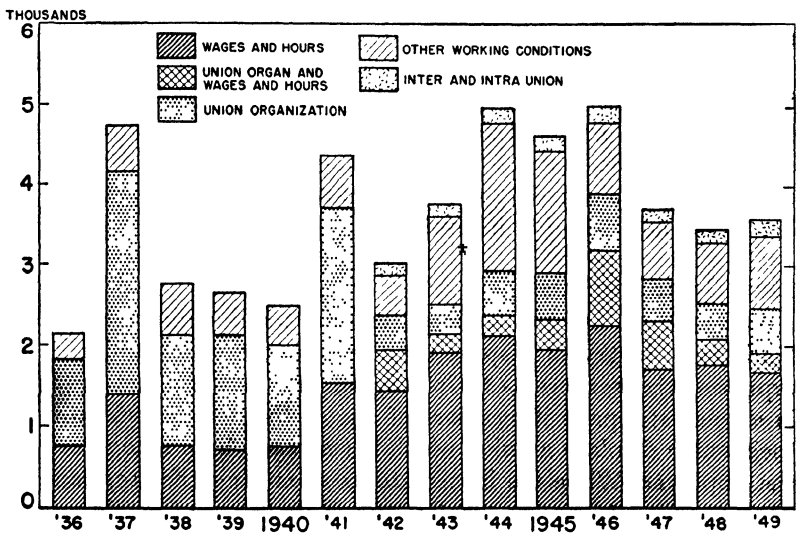

FIG. 30. *Work Stoppages by Major Issues Involved, 1936–1949. Prior to 1942, the "union organization" category includes strikes in which the issues of union recognition* and *wages and hours were involved, and the category "other working conditions" includes jurisdictional and rival union disputes. Stoppages resulting from demands for employer-financed benefit plans are included under wages. (Source: Bureau of Labor Statistics.)*

try, and all of them have been confined to single cities where they have been called in sympathy with particular groups of strikers or in protest against some action taken by city authorities with respect to the conduct of the original strike.

In this respect American experience thus far differs from that of some other countries where general strikes have occurred which included workers in all the industries throughout the country. A

notable example is the one which took place in Great Britain in 1926 in which all organized workers, including government employees, quit work in sympathy with the striking coal miners. In France, before World War II, several general strikes occurred in protest against specific government actions pertaining to labor conditions. Since the war also, the French and Italian labor unions, especially those dominated by Communists, have called a number of nation-wide strikes to which large numbers of workers have responded.

A nation-wide strike represents much more than a dispute between employers and employees. It is an expression of deep-seated dissatisfaction among the workers with their general economic situation, and indicates a demand for redress through their government. If prolonged, it assumes the aspect of a political rebellion which might lead to a revolution.

Rival Union Disputes

Where there are two or more unions functioning in the same trade or industry, a dispute may arise as to which union shall represent the workers as their bargaining agent. This may result in a work stoppage if members of one of the unions seek to have their union displace a union which has already been recognized by the employer. While the immediate issue causing the stoppage of work appears to be the rivalry of two factions of workers, the employer is nevertheless an integral factor in the situation. The very fact that there are two rival unions fighting for the allegiance of his employees generally signifies the discontent of one group of workers with the terms which their union has obtained from him, and the hope that the other union can secure better terms.

Rival union disputes are the result of dualism in labor organizations and the occasion for their taking place has been magnified by the present A.F.L.–C.I.O. division in the labor movement, as well as the several independent organizations which compete with affiliates of the two major federations. Work stoppages due to union rivalries, however, have not been frequent. There would be many more except for the fact that there is an orderly procedure for employee elections established by law (discussed in the next chapter) to determine which union the majority of employees wish to have as their representative agency.

Jurisdictional Strikes

A jurisdictional strike represents another situation in which the dispute is not primarily one between an employer and his employees. In the usual jurisdictional dispute the employer is passive, the quarrel being solely between two or more labor organizations. However, the employer has a stake in the outcome because of possible differences in wage scales and other work standards demanded by the contending unions.

In a jurisdictional dispute, the issue is which one of two or more unions has a right to claim jurisdiction over a particular class of work or kind of job. Unlike a representation dispute between dual organizations which have similar jurisdictions, each contestant union in a jurisdictional dispute has its acknowledged separate boundary lines; in most cases these boundaries have been formally approved by the parent organization, for example, the American Federation of Labor. The dispute is not over which union a majority of a given group of employees wish to have represent them; no workers may actually be employed on the job when the dispute arises, or those who happen to be at work may have to leave if the contending union wins the strike and decides to give the jobs to its own members.

Stemming from the craft form of organization, jurisdictional disputes are by-products of the continual changes in machinery, methods, and materials that take place in a dynamic industrial economy. Each such change causes the elimination of certain kinds of occupations or types of jobs and the substitution of others.

Conflicts arise when a union seeks to continue its jurisdiction over the function performed, regardless of the new materials or processes which may be introduced, or when a new process arouses a desire for a new craft autonomy. Thus the Carpenters' Union has had many disputes with the Sheet Metal Workers, Structural Iron Workers, and Machinists, as steel and other metals were substituted for wood for essentially the same function. The Bricklayers have clashed with the Glaziers when glass blocks were substituted for bricks and stone. The discovery of acetylene torches not only brought disputes between the Blacksmiths and Machinists but gave rise to a new Welders' Union which is now in conflict with the older metalworking unions. The introduction of

the offset process in printing occasioned an unresolved conflict between the Lithographers, Pressmen, and Photo-Engravers unions.

One of the major functions of the American Federation of Labor is to determine the jurisdictional boundaries and to resolve the disputes of its affiliated unions. A prime motive in the establishment of its Building and Construction Trades Department was to settle the ever-recurring conflicts of jurisdiction among the building trades unions. In spite of the machinery which the A.F.L. and its affiliated organizations have established, numerous jurisdictional disputes occur which not only inconvenience employers and the public but frequently disrupt union affiliations. In numbers of instances, unions have severed their connections with the A.F.L. because of unfavorable decisions regarding questions of jurisdiction. Recent examples are the Brewery Workers, who are in conflict with the Teamsters, and the Machinists because of their longstanding grievances against the Carpenters' union. After withdrawal from the A.F.L., unions are of course not subject to its prescribed adjustment machinery or jurisdictional mandates. The Machinists' withdrawal from the A.F.L. in 1945 not only eliminated the intra-union machinery for the settlement of their disputes with the Carpenters, but opened the door for the Teamsters to assume jurisdiction over garage mechanics, thus providing additional areas of conflict.

MEASUREMENT OF STRIKE ACTIVITY

The number of strikes and their magnitude is one indication of the degree of industrial unrest existing at any particular time or in any particular situation. Although an important indicator, the volume of strike activity is not the sole or exact measure of industrial unrest. Discontent may be greatest precisely when and because workers exist so precariously that they have no hope of bettering their immediate position through the use of economic weapons. Other political and social indicators must be used to measure the extent of unrest when it is coupled with despair, because strike action measures only such unrest as prevails under circumstances that lead workers to hope that they may better their conditions or mitigate a worsening of conditions by collective

TABLE 21. Work Stoppages Due to Labor Disputes, 1916–1949[4]

Year	Number of Work Stoppages	Workers Involved		Man-Days Idle		Indexes of (1935–1939 = 100)		
		Number	Per Cent of Total Employed[a]	Number	Per Cent of Available Working Time[b]	Work Stoppages	Workers Involved	Man Days Idle
1916	3,789	1,599,917	8.4	[c]	[c]	132	142	[c]
1917	4,450	1,227,254	6.3	[c]	[c]	155	109	[c]
1918	3,353	1,239,989	6.2	[c]	[c]	117	110	[c]
1919	3,630	4,160,348	20.8	[c]	[c]	127	370	[c]
1920	3,411	1,463,054	7.2	[c]	[c]	119	130	[c]
1921	2,385	1,099,247	6.4	[c]	[c]	83	98	[c]
1922	1,112	1,612,562	8.7	[c]	[c]	39	143	[c]
1923	1,553	756,584	3.5	[c]	[c]	54	67	[c]
1924	1,249	654,641	3.1	[c]	[c]	44	58	[c]
1925	1,301	428,416	2.0	[c]	[c]	45	38	[c]
1926	1,035	329,592	1.5	[c]	[c]	36	29	[c]
1927	707	329,939	1.4	26,218,628	0.37	25	29	155
1928	604	314,210	1.3	12,631,863	0.17	21	28	75
1929	921	288,572	1.2	5,351,540	0.07	32	26	32
1930	637	182,975	0.8	3,316,808	0.05	22	16	20
1931	810	341,817	1.6	6,893,244	0.11	28	30	41
1932	841	324,210	1.8	10,502,033	0.23	29	29	62
1933	1,695	1,168,272	6.3	16,872,128	0.36	59	104	100
1934	1,856	1,466,695	7.2	19,591,949	0.38	65	130	116
1935	2,014	1,117,213	5.2	15,456,337	0.29	70	99	91

[a] "Total employed workers" as used here includes all workers except those in occupations and professions where strikes rarely if ever occur. In general, the term "total employed workers" includes all employees except the following groups: government workers, agricultural wage earners on farms employing less than 6 workers, managerial and supervisory employees, and certain groups which because of the nature of their work cannot or do not strike (such as college professors, clergymen, and domestic servants). Self-employed and unemployed persons are, of course, excluded.

Number of workers includes duplicate counting where the same workers were involved in more than one stoppage during the year. For example, during 1949 thousands of coal miners were involved in a number of stoppages and this accounts for the abnormally high number of workers cited for that year.

[b] "Available working time" was estimated for purposes of this table by multiplying the average number of employed workers each year by the number of days worked by most employees during the year.

[c] Not available.

[4] From U.S. Bureau of Labor Statistics. Statistics include all strikes and lockouts which lasted one day (or shift) or longer and involved 6 or more workers.

TABLE 21. Work Stoppages Due to Labor Disputes, 1916–1949 (*Continued*)

Year	Number of Work Stoppages	Workers Involved		Man-Days Idle		Indexes of (1935–1939 = 100)		
		Number	Per Cent of Total Employed[a]	Number	Per Cent of Available Working Time[b]	Work Stoppages	Workers Involved	Man Days Idle
1936	2,172	788,648	3.1	13,901,956	0.21	76	70	82
1937	4,740	1,860,621	7.2	28,424,857	0.43	166	165	168
1938	2,772	688,376	2.8	9,148,273	0.15	97	61	54
1939	2,613	1,170,962	4.7	17,812,219	0.28	91	104	105
1940	2,508	576,988	2.3	6,700,872	0.10	88	51	40
1941	4,288	2,362,620	8.4	23,047,556	0.32	150	210	136
1942	2,968	839,961	2.8	4,182,557	0.05	104	75	25
1943	3,752	1,981,279	6.9	13,500,529	0.15	131	176	80
1944	4,956	2,115,637	7.0	8,721,079	0.09	173	188	51
1945	4,750	3,467,000	12.2	38,025,000	0.47	166	308	224
1946	4,985	4,600,000	14.5	116,000,000	1.43	174	408	684
1947	3,693	2,170,000	6.5	34,600,000	0.41	129	193	204
1948	3,419	1,960,000	5.5	34,100,000	0.37	119	174	201
1949	3,600	3,100,000	9.3	53,000,000	0.60	126	276	313

stoppage of work. Strikes may be used sparingly when large numbers of unemployed stand in the streets as competitors for existing jobs. A public opinion or government hostile or indifferent to the claims of labor may decrease the number of strikes for a period of time while the basic unrest is actually increasing.

Although a strike grows out of discontent, it is not a precise measure of the intensity or validity of that discontent. A strike by workers receiving below-subsistence wages or working under unhealthy and dangerous conditions is manifestly different from a strike by a group of relatively well-paid craftsmen who seize a strategic opportunity to drive a better bargain with an employer.

Irrespective of causes or circumstances, the number of strikes alone does not measure the incidence of strike action. Many strikes involve small groups of workers and are directed against individual employers. Others involve thousands and even hundreds of

thousands of workers and result in stoppages in production throughout an industry or area. Some last a few days and cause little loss in wages or production; others continue for weeks and months and result in wage and production losses which are irretrievable.

It is obvious that no one series of figures is an adequate measure of the severity or extent of strikes, but the number of stoppages, the number of workers involved, and the length of the work stoppages must all be taken into consideration when appraising the strike situation at any time or place. The U. S. Bureau of Labor Statistics is the only agency which publishes comprehensive data concerning work stoppages which take place throughout the country, and the following is an explanation of its statistical procedures.

Number of Work Stoppages

The number of work stoppages is an approximation of the number of times group action has been taken, but in many instances there is a question as to what should be counted as one stoppage. For instance, shall a general strike called by an international union, extending into several states and hundreds of establishments, be called one stoppage or as many as there are employers, states, or cities affected? Shall stoppages in several branches of one corporation, located thousands of miles apart, be considered one stoppage or as many as the number of communities affected or the number of local unions which agreed to the stoppage?

An industrial dispute is an expression of conflicting wills or interests of employers and employees, and is brought about by a determination of one group to force action upon the other. The will of the workers may be expressed through the executive office of their national union which calls a general strike throughout the entire industry; or workers in various trades in a city may express their will through the city trades assembly, which calls a city-wide strike of all trades. Such instances the Bureau of Labor statistics interprets as single stoppages since the workers are operating through a common agency. If, however, several local unions in the same city or different cities call strikes, even though for a common cause, these are counted separately. The unit of

measurement, however, cannot always be determined by the scope of jurisdiction of the union or unions since some strikes are not officially or formally authorized by the union. In such cases, the unit of measurement is based upon evidence of a common cause and the area of concerted action.

Briefly, then, it is the *initating force* or *cause* of the stoppage which is the chief determining factor now used by the Bureau of Labor statistics in deciding what shall be the unit of measurement. In other words, the number of different organizations initiating the stoppage, and the reason for calling the strike, take precedence over the number of establishments or localities affected.

Workers Involved

The number of workers involved is useful as a measure of the incidence of stoppages on the working population, but in computing this number there are differences of opinion as to how inclusive the term "workers involved" should be, as well as many practical difficulties in obtaining adequate data. Sometimes two classifications are made, viz., "directly" and "indirectly" involved, but different connotations are given to these two terms. Those "directly" involved are sometimes defined to include the particular group of employees who initiated or voted to call the strike; those "indirectly" involved to include the remaining employees of the same company who were forced to stop work when the entire plant was closed because of the strike.[5] Other persons would include all workers within a plant affected by a strike as being "directly" involved and include in the category "indirectly" involved the workers outside the struck plant whose employment was affected; for example, the steel, railroad, and other employees who were laid off because of a prolonged coal stoppage, or all the persons who were unable to report for work because of a strike of city transportation employees.

Because it is impossible to get accurate data on all persons whose employment is indirectly affected by a stoppage, the Bureau arbitrarily confines the number involved to include only employees in the plant (or industry in the case of an industry-wide strike) where the strike takes place. No attempt is made to separate

[5] These categories are used in the British statistics of work stoppages.

within the establishment those directly and those indirectly involved in starting the stoppage but all are included in the statistics. In some cases such a distinction would be comparatively easy to make, but in the large majority of cases the dissatisfaction which gives rise to a stoppage is not confined to a particular segment even though one group of employees might appear to have been the originators. Although it might be true that certain employees initiated a stoppage and the others were willingly or unwillingly drawn into it, it would be necessary for a psychologist to have a personal interview with each employee in such situations in order to determine the number who were responsible for or who actually favored the strike. Moreover, since attitudes change as the strike progresses, the number favoring the strike would vary from day to day. According to the Bureau of Labor statistics, the only practical procedure is to include in the number involved all employees within the establishment (or within the industry when a general industry strike is called by the national union) who stop work or are thrown out of work because of a dispute, and not attempt to estimate those outside the plant whose employment is affected.

Man-Days Idleness and Cost of Strikes

The number of man-days idleness caused by a work-stoppage affords one of the best criteria of the magnitude of a strike, since it incorporates the two elements of number of workers involved and the number of workdays these persons lost during the strike. The man-days idleness figure is useful when considering possible wage losses and production losses (within the limits of those included under "workers involved" discussed above) resulting from work stoppages. However, it would be misleading and inaccurate to estimate the cost of strikes—in terms of wages or production —by simply multiplying the man-days idleness figure by the average daily wage or daily production. Although workers are idle during a strike it does not necessarily follow that the equivalent days' production or wages are actually lost. Anticipating a strike, there may have been overtime and building up for stock before the strike began. There may be overtime after the strike closes to fill delayed orders, or there may exist such a chronic oversupply (which is frequently the case during "normal" times), that a

strike does not materially affect the year's output. Furthermore, a strike in one area may mean a shift in production to another area with no lessening of the total national output. Even though certain employers and groups of workers suffer loss, other employers and workers may gain. Such gains of others attributable to the strike cannot be measured, but when considering national production or total wages earned this must be taken into account.

If it is impossible to estimate accurately the total man-days of work lost or wages lost due to strikes, any figure on the total cost of strikes would be even more fictitious. This vague concept, "cost of strikes," necessarily includes theoretical estimates of cost to employers, workers, and the public. Practically, these three elements cannot be grouped together. The employer might consider a wage increase gained through a strike as a loss to him; the workers obviously consider it a gain which, in time, will more than offset the lack of pay envelopes during the strike. Similarly, local merchants may profit through the increased wages although their business suffered during the strike. Because of these conflicting factors, an estimate of the cost of individual strikes, or the cost of all strikes in a given period is misleading as well as inaccurate.

Strike Categories

Very few work stoppages are the result of only one or even two causes. In most cases the issues are many and complex; sometimes the immediate issue which brought on the stoppage is of less importance than other matters which caused a cumulative dissatisfaction extending over many months or even years. With the warning that its classification of stoppages should be considered only proximate, the United States Bureau of Labor Statistics groups them all into five main categories according to the major issues involved: (1) wages and hours, (2) union organization, wages, and hours; (3) union organization; (4) other working conditions such as seniority, work load, shop rules, etc.; (5) inter-union and intra-union matters, including sympathy, jurisdictional, and rival union strikes.[6]

[6] Prior to 1942, only three categories were used; during 1942–1944 four categories, and beginning in 1945 five categories. During the years when there was no separate category for the combined union organization and wages and hours issues, these strikes were classified in either the wages and hours or the union

Figure 30 graphically reveals the changing proportion of stoppages due to various major issues involved. For five years following the passage of the National Labor Relations Act, approximately half of all the work stoppages resulted from disputes in which the major issue was union status; most of them were for union recognition or the union shop, and some were in protest against discrimination of union members.

During the recent war, wage issues were predominant and relatively few stoppages were caused by controversies over union recognition, especially after the War Labor Board adopted the policy of granting maintenance-of-membership awards and thus assured unions a measure of security. Second to wage disputes during the war were disputes over internal shop conditions and policies, including such matters as supervision, discipline, work load, shift assignments, and physical and safety conditions. Many of these grievances were the direct effect of war conditions when the presence of large numbers of inexperienced supervisors as well as employees crowded work rooms; and multiple-shift arrangements, coupled with the fatigue and strain of long hours, inadequate housing, and transportation, brought on work stoppages which would not normally have occurred.

During the first year of reconversion from war production workers sought to raise their hourly rates to compensate for loss of overtime and war bonuses and thus maintain their "take-home" pay. After the abandonment of price controls in 1946 demands for pay increases to match rising living costs became more frequent. More recent stoppages have been over demands for benefit programs financed by the employer.

WORK STOPPAGES DURING THE PAST FIFTY YEARS

Present happenings can be understood only in the light of what has taken place in the past. An understanding of labor disputes today, as with other social phenomena, is possible only in historical perspective. Overt expressions of unrest and discontent seldom

organization category, depending upon which issue appeared to be more important. Likewise, prior to 1945, interunion and intra-union disputes were classified under the "miscellaneous and other" category.

arise over specific and immediate issues alone, but have their roots in a subsoil of accumulated dissatisfactions. When workers go on strike they are always conscious that the particular occurrence represents one milestone along the long road to economic improvement. The immediate gains of a single work stoppage may seem meager or nonexistent to an outsider, but to the workers it represents but one retreat or detour in the difficult march forward. To the loyal unionist there has never been a "lost strike" for each one, regardless of its immediate consequences, he feels has left its mark upon the employer and the workers which will bring about a change some time and in some way. This does not mean, however, that even the most loyal union member does not admit that some strikes have been a mistake; that if they had been undertaken at a more auspicious time or been conducted in a different way, the outcome might have been more favorable.

Not only the strike action itself but the tactics used, and the accompanying emotions displayed, can be understood only in relation to what has taken place in the past. A peaceful stoppage with token picketing is evidence of a mature collective bargaining relationship where the union does not feel threatened and the issue is a clear-cut economic matter such as wage rates. Mass picketing and physical disturbances, on the other hand, usually indicate a background of organizational insecurity which may be the result of the employer's known antipathy to the union or to the presence of a competing union. Both have their roots in the past.

A brief summary of the strikes which have taken place during the past half century will provide some basis for understanding what is currently taking place among particular groups of workers as well as the labor movement as a whole. But the student is urged to supplement this brief outline with more comprehensive treatments of the important disputes which are here merely mentioned; also to consult Fig. 31 while reading this historical summary in order to get an appreciation of the up and down trends in strike activity.

Before World War I

Historically, strikes have tended to diminish when business activity declined and job opportunities were scarce, and to increase during periods of business prosperity, especially when the

revival of business was accompanied by rising prices. History may not always repeat itself, however. Conceivably, unions could be entrenched in the nation's economic and political fabric to such an extent that workers would not feel it necessary to accept without protest the distress and reverses they formerly suffered during business depressions.

Following the depression of the middle 1880's the number of strikes almost trebled; they declined during the depression of the 1890's, and more than doubled following the upturn of business at the turn of the century. Many of these disputes, as was to be expected after a long period of wage reductions, were for wage increases, although union recognition became an increasingly important issue. About as many workers were involved in union-recognition strikes between 1900 and 1904 as were involved in wage disputes.

One of the major issues in the anthracite strike in 1900 was recognition of the union. Although wage increases and other concessions were granted, formal recognition was not given to the United Mine Workers and this, together with demands for a wage increase and hour decrease, brought on a 5-month strike in 1902. This strike was terminated when the parties agreed to arbitration by the Anthracite Coal Strike Commission appointed by President Theodore Roosevelt. Through the system of conciliation and arbitration established by the Commission's award, recognition of the union was gradually obtained in this section of the coal industry.

A second serious strike occurred among the miners in the Colorado Cripple Creek region during 1903–04. Disappointed by the invalidation of the state's 8-hour law by the state Supreme Court, the miners turned to the Western Federation of Miners which was then affiliated with the Industrial Workers of the World. When the employers refused recognition and discharged a number of union members, strikes broke out which intermittently affected most of the miners in the state throughout 1903 and most of 1904. These disturbances were characterized by the companies' use of private deputies, injunctions, deportations, blacklisting, and the state militia.

The depression of 1907–08 discouraged strike activity. Following this depression there were a great many industrial disputes in

the textile, iron, and mining industries. In 1910 the clothing workers of Chicago engaged in a city-wide strike which resulted in the establishment of the first arbitration board in the industry. In 1911 there were numerous strikes among railroad shopmen in Chicago and on roads west and south of Illinois. The structural ironworkers, pitting their strength against the strongly organized and bitterly hostile employers' association, engaged in numerous strikes. During one of these the Los Angeles *Times* Building was dynamited—the climax of numerous disturbances in this area in which the Los Angeles *Times* had vigorously taken sides with the employers.

The organizing drives of the Industrial Workers of the World, as indicated in Chapter 18, led to numerous strikes during 1912 and 1913. During these years also, the New York and Philadelphia clothing workers struck for an 8-hour day and union recognition, resulting in signed agreements with a majority of the shops. The depression of 1914 discouraged much strike activity although one of the widely known strikes occurred that year—the strike called by the United Mine Workers against the Colorado Fuel & Iron Co. The strikers, ejected from company houses, settled in tent colonies on adjacent land. Militia set fire to one of these colonies, the Ludlow camp, and this has come to be referred to as the "Ludlow massacre."

Stoppages During World War I Period

It was not until late in 1915 that American business generally began to feel the effects of the war in Europe. With the rising prices and the increasing need for labor, industrial disputes more than doubled in 1916 and reached a peak in 1917. The most serious strikes, as far as the conduct of the war was concerned, were those which took place at Bridgeport, Conn., and in the northwestern lumber industry. The latter, which tied up the entire northwestern lumber industry during the greater part of 1917, were primarily for the 8-hour day, although wages and work and living conditions were important factors. Conditions were improved after the intervention of the Army, the adoption of the 8-hour day, and the establishment of the joint employer-worker organization, The Loyal Legion of Loggers and Lumbermen.

During the year after the close of hostilities (1919) over 4 million persons were involved in stoppages due to labor disputes, —a number not exceeded until the year after World War II. The chief causes of these widespread disputes were the rapidly rising cost of living, which was twice as high as in 1914, and the determination of trade unions to extend further the influence of union organization in areas in which they had obtained a foothold during the war.

The first general or city-wide strike of any size which had ever occurred in the United States took place in Seattle in 1919, where 60,000 workers went out in sympathy with the metal trades workers in the local shipyards. During this same year the policemen of Boston, dissatisfied over wages and working conditions, formed a policemen's union, and when a number of them were discharged for joining the union the entire police force went on strike. There were a number of telephone strikes during the summer of 1919, one practically cutting off telephone communications throughout New England for six days. Strikes in the men's clothing industry in New York resulted in the general adoption of the 44-hour week in union shops throughout the country.

The largest strikes occurring during 1919 were in steel and bituminous coal mining. The steel strike, in which 367,000 workers were involved, was primarily for union recognition. Although the strike was lost, the publicity given to working conditions in the industry eventually caused the 8-hour day to be substituted for the 12-hour day shortly thereafter. While this controversy was still in progress a strike of 425,000 miners was called in the bituminous coal industry. In spite of two federal injunctions and citations of numerous union officials for contempt under the Lever Act,[7] the miners stayed out for three months and returned to work only after President Wilson secured a compromise wage settlement.

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[7] The Lever Food and Fuel Control Act (U. S. Stat., Vol. 40) was enacted August 10, 1917, but was never used in a labor dispute until after the armistice. It read, in part: "It is hereby made unlawful for any person willfully to conspire, combine, agree, or arrange with any other person to limit the facilities for transporting, producing, manufacturing, supplying, storing or dealing in any necessaries; to restrict distribution of any necessaries in order to enhance the price thereof, or to exact excessive prices for any necessaries; or to aid or abet the doing of any act made unlawful by this section."

The 1920's

The wage issue was sharply reversed in 1921 when the cost of living dropped about 17 percent from its high point in 1920, and during this year there were almost 1000 strikes in protest against wage decreases. The largest strike was that of 140,000 marine workers in all the principal ports, in an unsuccessful protest against a 15 percent general wage reduction and resumption of the prewar 12-hour shifts promulgated by the United States Shipping Board. In contrast, the printers' unions' unprecedented number of strikes were largely successful in gaining the 44-hour week.

There were less than half as many strikes in 1922 as in 1921, although the number of workers involved was 50 percent greater, largely due to the strike of 400,000 railroad shop craftsmen and to strikes throughout the coal industry. The railroad shop craftsmen's strike was originally called in protest against wage reductions ordered by the Railroad Labor Board, although during its progress other matters assumed importance. A sweeping injunction practically forbade every traditional strike activity carried on by unions, and the loss of prestige which the Railroad Labor Board suffered during this strike contributed to its abandonment soon afterward.

The coal strike, called in protest against wage reductions, was the most complete response to a strike call in the history of mine strikes up to that time, with anthracite and bituminous miners for the first time going out simultaneously. In spite of intervention by the President and the governors of the affected states, the strike continued throughout the summer, the miners returning to work in August when the wage issues were referred to a commission appointed by the President.[8]

During 1922 there were also a number of strikes in the textile industry. A general strike, which involved 60,000 workers in cotton and woolen textile mills, was called throughout New England in protest against a general 20 percent wage reduction and increase in hours from 48 to 54 per week. As a result of the strike,

[8] As a result of this agitation Congress, on Sept. 22, 1922, passed a law creating the United States Coal Commission, whose duty it was to investigate all phases of production, transportation, and distribution of coal, and all organized and other relations among operators and miners with a view to recommending remedial legislation.

wage reductions were generally restored, but many mills refused to go on the 48-hour week.

Although the number of strikes increased in 1923, there were less than half as many workers involved as in the preceding year. Most of these strikes were for higher wages, indicating an effort to regain some of the wage losses of the 1921–1922 depression. Strike activity was unusually low during the latter half of the 1920's even though business conditions were relatively good. Prices, however, were stable and although there was an increasing amount of technological unemployment, most workers who had jobs were making fairly good wages. Also, organized labor was at a low ebb following the antiunion campaigns during the early 1920's.

The largest strike during this period was the 1927 strike of 165,000 bituminous coal miners, which started in April and continued through the rest of the year. In 1928 there was another protracted strike in the bituminous coal industry. The failure of these strikes resulted in a drastic loss in membership in the United Mine Workers of America and the virtual abandonment of the central competitive field as a basic unit for wage negotiations.

Beginning with the depression in 1930, the number of strikes declined and remained low during the following three years. Strike activity was at a minimum in 1930; the rapid recession of business activity discouraged strikes for wage increases while at the same time comparatively few wage cuts were put into effect. By 1931 and 1932 wage reductions became general and protest strikes became more numerous, practically half the strikes during these years being in protest against such wage reductions. Compared to previous years, a relatively large number of these strikes were called by independent unions as, for example, the Amalgamated Clothing Workers, the National Union of Textile Workers, the Needle Trades Workers' Industrial Union, and the National Miners' Union, the last three being affiliated with the Trade Union Unity League.

The New Deal Period

The first year of recovery, and the impetus for increased organizational activity resulting from the National Industrial

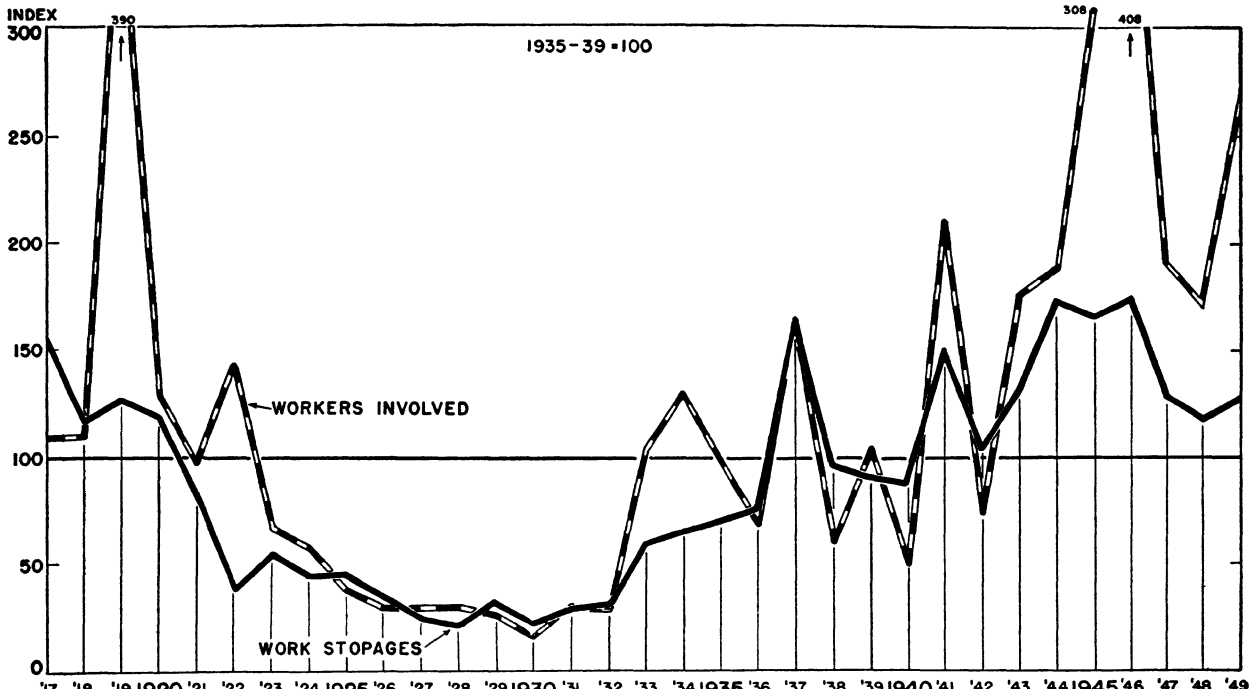

FIG. 31. *Trend of Work Stoppages and Workers Involved, 1917–1949. Numbers of workers are duplicated when the same workers were involved in more than one stoppage during the year.* (*Source: Bureau of Labor Statistics.*)

Recovery Act, doubled the number of strikes in 1933. During that summer, for the first time in ten years, there were more than 200 new strikes each month, and, for the first time since 1922 there were more than a million workers involved in strikes throughout the year. Whereas during the preceding depression years there were four times as many strikes in protest against wage decreases as for wage increases, in 1933 there were almost five times as many strikes for wage increases as against reductions in wages. Strikes for union recognition also increased, almost one-third of the 1933 strikes being over questions of union organization.

The two outstanding strikes in 1934 were those of the San Francisco longshoremen, which brought on a two-day general sympathy strike of all organized trades in the San Francisco Bay area, and the general textile strike, which involved over 300,000 textile workers in twenty states. The textile strike, which was primarily over union recognition and the "stretch-out" system, brought few gains other than the promise of a thorough investigation of the textile industry by a special committee appointed by the President. The prolonged and bitter longshoremen's strike resulted not only in recognition of the union and wage and hour adjustments for all ports on the Pacific coast, but the system of hiring halls established under the arbitration award effected a virtual closed shop on the waterfront.

Union organization continued as the dominant issue in a large proportion of the strikes which occurred during 1935. Some of these were directed against company unions and for trade unions, some for union recognition in plants or industries into which union influence had never before penetrated, and some for a return of union recognition which had been lost during the depression. Strikes among white-collar and retail workers also grew to significant numbers, especially in newspaper editorial and insurance offices.

The Chevrolet and Fisher Body strikes in 1935 at Toledo and Cincinnati, primarily against the representation plans set up under an Automobile Labor Board, were a harbinger of the more widespread automobile strikes which followed two years later. Strikes throughout the lumber and sawmill areas of Washington and Oregon were directed against the Loyal Legion of Loggers

and Lumbermen and resulted in the substitution of this joint employer-employee organization which had functioned since World War I for a regular trade union.

Strikes involving employees of the two largest flat-glass manufacturing companies in the country brought general wage increases, recognition of the union, readjustments in seniority, and other working rules. The rubber industry, which had been particularly free from labor disputes even during World War I, was first seriously affected by strikes during 1936 and it was in Akron that the sit-down strike was first used to any extent. The cause of these disputes was the companies' desire to lengthen the existing 36-hour week and reduce piecework rates, together with the desire of the new United Rubber Workers of America for recognition.

The largest and most prolonged strikes during 1936 were those of the maritime workers on all three coasts. The Pacific coast strike of seamen and longshoremen completely tied up water transportation for several months and thereby affected thousands of other workers, particularly in the lumber and canning industries of the Northwest. By the terms of the settlement, licensed and unlicensed seagoing personnel received wage increases, and the dock workers' union maintained its control of the dispatching from the hiring halls. The Atlantic coast strike, which was originally called in sympathy for the west coast workers, soon developed into a show of strength of an insurgent movement of rank and file members which later developed into the National Maritime Union.

There were more strikes in 1937 than in any preceding year in the nation's history, although the number of workers involved in strikes was less than half that in 1919. The unprecedented number of strikes during 1937 was due to various factors but underlying all was the fact that business was on the upgrade, prices were rising, and conditions were favorable for workers to make demands upon their employers. The direct factor was the accelerated growth on all fronts of the trade union movement, due in large part to the validation of the National Labor Relations Act which assured hitherto unorganized workers their right to join the ranks of organized labor and their right to protection against discrimination. Another factor was the split in the trade union movement with its consequent increase in organization activities in the mass

production industries, and vigorous drives by both factions throughout all industry.[9]

The first strike ensuing from the organization drives into the mass-production industries during 1937 was against the General Motors Corporation, which resulted in the company signing a recognition agreement with the United Automobile Workers. Subsequently, there were strikes at plants of the Chrysler and Hudson companies as well as numerous auto parts, farm equipment, and automobile repair shops, most of which were settled with the signing of union agreements.

In March, 1937, the United States Steel Corporation agreed to recognize the Steel Workers' Organizing Committee which later became the United Steelworkers union. This action on the part of the largest steel concern encouraged a number of small companies to grant union recognition without strike action. A 36-hour strike of 24,000 employees of the Jones & Laughlin Company in May was settled when the company agreed to a NLRB election, which was held several days later and resulted in the recognition of the union.

There was a serious strike in the steel industry involving the Republic Steel Corporation, Youngstown Sheet & Tube Company, the Inland Steel Company, and the Bethlehem Steel Corporation. This strike against so-called "Little Steel" extended into seven States—Illinois, Indiana, Maryland, Michigan, New York, Ohio, Pennsylvania—and was marked by much violence. Local police forces were augmented with special deputies and the National Guard was called into several localities. At least fifteen strikers lost their lives and many more were injured. Although the strikes failed, the companies definitely refusing to sign any semblance of an agreement, union recognition was obtained several years later (1941) after the Supreme Court upheld NLRB charges of unfair labor practices.

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[9] An evidence that the rivalry between A.F.L. and C.I.O. resulted in an extension of union activity into hitherto unorganized areas more than in rival contests in already organized fields is indicated by the fact that less than 8 percent of the strikes during 1937 were over the question of which one of the rival organizations should represent any one group of workers. (*Monthly Labor Review*, May, 1938.)

Sit-Down Strikes

Among the most dramatic, and to many people most alarming, strike phenomena were the so-called sit-down strikes which took place during 1936–1937. Sitting at one's workplace but refusing to work was not an entirely new technique for dissatisfied workers to use in their efforts to force better working conditions from employers. It is not unusual for small groups of workers in unorganized shops to stop work but remain at their workplaces until a particular wage rate or other grievance is settled. Such stoppages usually last only an hour or two. In previous years, however, they had seldom occurred in mass-production industries where an interruption by a few employees immediately affects the flow of production throughout the entire plant.

The 1936–1937 wave of sit-down strikes was unprecedented both in magnitude and in the unique characteristic that the workers stayed in the plants day and night for extended periods.[10] Although they were the manifestation of spontaneous protests by groups of workers in various individual plants rather than a planned, integrated movement, they nevertheless represented a focal reaction to the accumulated impact of many forces, political and economic, national and international. Significantly, most of these sit-down strikes were vanguards of unionization rather than acts of already organized workers, and took place in plants and industries in which employers had long opposed collective bargaining.

In the background were the long years of employer absolutism in labor relations and the many jobless months during the worst years of the depression in 1930–1933. In the foreground were the newly aroused hopes and expectations inspired by the New Deal government and the National Labor Relations Act. The numerous and dramatic sit-down strikes which were taking place in France, and the "stay-down" strikes occurring in Hungarian, Polish, and

[10] In 525 of the 6912 strikes during these two years, workers stayed in the plants one or more working days. There were also numerous unrecorded sit-down strikes which lasted only a few hours. In about half the 525 officially recorded sit-down strikes, workers stayed in the plants for one or more nights —in a few cases as long as several weeks. Sit-down strikes reached their peak in March, 1937, when 170 occurred. By the end of the year they had practically disappeared. (*Monthly Labor Review*, August, 1938, p. 360.)

Welsh coal mines, no doubt had their effect on the psychology of the workers in the United States; moreover, there is some evidence that the philosophy of passive resistance personified by the Gandhi movement in India also had its influence.[11]

Although the sit-down strikes were a radical departure from the traditional behavior of American workers, they did not represent a revolutionary movement; they were not founded on Marxian doctrines or the syndicalist philosophy of the I.W.W. Even in the minds of their most ardent advocates there was no intention of seizing employers' property permanently in order to operate the plants, and the "guarding" from within was conceived merely as a substitute for the outside picket line to keep employers from operating their plants until the grievances were settled. Ideological defenders maintained that the right "to hold" the workplace was a natural corollary to the worker's right to his job; since the skill of the worker in running a machine is a property right that has no value apart from the machine, workers have the right to protect this asset, and to do so it might be necessary for them to remain at the machine or in the plant. The sit-down strikers themselves, however, gave little thought to the principles at stake as they vigorously utilized this new-found weapon to gain immediate concessions from employers (and incidentally got a good deal of emotional release from the novel dramatic experience).

Responsible union leaders never approved this method of striking, for very practical reasons. In addition to their fear of the consequences of public disapproval, the "wildcat" nature of this form of strike action imperiled the unions' influence upon the workers themselves. By their very nature, such strikes are not compatible with stable collective bargaining relationships for they enable a few workers, without notice to the union or to the employer, to tie up operations in entire plants. When they occur in organized plants, they represent a rebellion against the union as

[11] The prolonged depression had incited many young "intellectuals" to thinking about methods of protest against economic and political injustices, and some of them became deeply impressed by the Hindu Nationalists' passive resistance technique. Some of these young people, who directly and indirectly had some influence on labor activities during these years, recommended the sit-down method in preference to the traditional picket strike as being a more passive form of protest. However, not all the sit-down strikes turned out to be as peaceful as the name implies. . . .

much as against the employer, because they antithesize the orderly grievance adjustment procedures established by the union's contract with the employer.

World War II Work Stoppages

Largely owing to the business recession which began the latter part of 1937, as well as the fact that the major organizational drives in the mass-production industries had been concluded, strike activity declined during 1938 and 1939. The largest strike was the general coal stoppage in the spring of 1939 which terminated with the establishment of union-shop conditions in most of the anthracite and bituminous coal mines. (The union shop was not obtained in the "captive" mines, however, until 1941.)

With the advent of the defense program, which began with the first Congressional emergency appropriation in June, 1940, American labor and industry faced many special problems which at times caused conflicts leading to strikes. Production and employment increased rapidly, and need for round-the-clock scheduling brought problems of shift work and overtime rates into new prominence. The great influx of new workers, with no previous union experience, into organized plants raised sharply the question of union security. Also, many new plants were established and in some instances union recognition was not granted until after strikes were called.

A major source of disquietude was the rise in the cost of living which started early in 1941 and continued to advance until the spring of 1943 at which time it was 27 percent higher than prewar levels. Responding to the rise which had taken place by the spring of 1942, the War Labor Board adopted a policy of granting 15 percent wage increases over January, 1941, levels,[12] and this formula was incorporated in the Wage Stabilization Act (Oct. 2, 1942). A considerable number of stoppages which occurred thereafter were in protest against the government policy of not allowing general wage rates to advance beyond 15 percent over 1941 levels although the cost of living continued to advance.

Most of the stoppages due to labor disputes which occurred

[12] Called the "Little Steel" formula because it was first applied in a case involving four major steel companies exclusive of U. S. Steel Corporation.

during World War II lasted only a few days, with employees returning to work in response to appeals from their union leaders and the War Labor Board. However, in several instances workers refused to return until after the plants were taken over by the government upon referral to the President by the Board.[13] Although there were many serious stoppages in aircraft, shipbuilding, and munition plants during this period, none of them was widespread or of long duration. The largest and most prolonged strikes were in coal mining, where in 1943 there were four complete shutdowns and over 400 local stoppages, most of them due to wage disputes including the question of "portal to portal" pay. The government took over virtually all the mines during the summer and fall of 1943 and a considerable number of mines again in 1944 when there were numerous unsuccessful strikes of mine foremen for recognition of their union, a local of District 50 of the United Mine Workers.

A few weeks after the cessation of hostilities in August, 1945, there was a sharp increase not only in the number of work stoppages but also in their extent and duration. Approximately 75 percent of the idleness due to strikes in 1945 occurred in the 4½ months following V-J Day. Whereas most of the stoppages during the war were small spontaneous strikes, many of them over minor issues which could be quickly settled, the stoppages after V-J Day involved fundamental issues of wages in relation to prices and profits. With the elimination of overtime and night shifts, and the downgrading from high-wage war jobs, workers experienced substantial reductions in their take-home pay, while prices and cost of living were rapidly rising.

The 1946 Stoppages

The number of strikes occurring in 1946 reached an all-time peak, almost 5000, although the proportion of workers involved

[13] In addition to the three companies temporarily taken over by the government during the defense period before Pearl Harbor, there were 23 strike cases followed by government operation of plants for greater or lesser periods of time, during the years after our entry into war. In 7 instances government operation was put into effect before the War Labor Board issued any decisions on the matters in dispute. Sixteen seizures involved noncompliance with directives of the War Labor Board: in 9 of these the workers were out because the management had refused to abide by the Board's decisions, while in 7 the strikes were workers' protests against Board decisions.

was less than in 1919, the first full year following World War I. In both postwar years, rising prices and the question of union status were the major issues. The steel strike, beginning in January, 1946, involved over a thousand steel producers and fabricators and about 750,000 workers, and was the largest single strike in this country's history. Settlements with the companies were gradually effected after the U. S. Steel Corporation and the United Steel Workers agreed to an 18½-cent-an-hour increase which became the pattern for the settlement of disputes in the balance of the steel as well as in other industries. There was a suspension of work in the bituminous coal mines from April first to May 22 when the Government took over the mines under the President's wartime powers and concluded an agreement with the union. This agreement is notable for the fact that it established the first welfare program in the coal industry financed by a levy on all coal mined. (See Chapter 14.)

A crisis in railroad labor-management negotiations reached the breaking point on May 17, 1946, and the Government took control of the railroads. But this action failed to forestall a nation-wide stoppage by two railroad unions—The Locomotive Engineers and the Railroad Trainmen—which had rejected the recommendations on wages and work rules made by a presidentially appointed fact-finding board. After a two-day paralysis of rail transportation, the first widespread strike of operating railroad workers since 1888, these unions capitulated in response to the pressure of public opinion and fear of Congressional action.[14]

There were prolonged stoppages of unlicensed seamen on all three coasts in September, 1946, and of licensed seamen and longshoremen a few weeks later. The unlicensed seamen's strikes resulted from the refusal of the National Wage Stabilization Board to approve wage increases which the A.F.L. Sailor's Union had negotiated privately with the companies, the Board holding that increases on all government-owned vessels should not exceed that allowed the C.I.O. Maritime Union the preceding June. The A.F.L. controversy was settled when the Director of Economic Stabiliza-

[14] The evening of the first day of the strike President Truman discussed the situation by radio, requesting the men to return to work. The next day, while he was addressing a joint session of Congress asking for emergency legislation, the officials of the two unions issued a back-to-work order.

tion amended the regulations to permit the payment of the increases originally agreed upon by the operators and the A.F.L. unions. The C.I.O. Maritime Union thereupon insisted that their unlicensed seamen contracts should be amended to incorporate the higher rates and stopped work for 10 days until their wages were adjusted.

Simultaneously with the settlement of the unlicensed seamen's disputes, there were work stoppages of the licensed seamen, both A.F.L. and C.I.O., and C.I.O. longshoremen on all coasts. Terms of settlement included wage increases and, in the case of the licensed seamen where union security had also been an issue, maintenance of membership and union preferential hiring for all but master seamen.

A second industry-wide bituminous coal stoppage took place in November. The government, which had been operating the mines since the April stoppage, sought and obtained an order from the U. S. District Court instructing the miners to return to work on the grounds that the union could not unilaterally terminate its contract. When the court order was ignored the union was fined $3½ million and its president, John L. Lewis, $10,000 for contempt of court. Mr. Lewis thereupon ordered the miners back to work.[15]

In addition to the large-scale stoppages in manufacturing, mining, and transportation, there were significant or unusual stoppages among other groups, especially the "white-collar" or "fixed-income" groups who were particularly hard pressed by rising living costs. Different groups of teachers participated in 16 stoppages during 1946; municipal employees ceased work in some 60 instances in efforts to improve their pay or conditions of work. There were 24 stoppages of utility workers and several strikes involving local telephone and telegraph companies. The operations

[15] The legal issues of the injunction and the fines were immediately taken to the Supreme Court which on March 6, 1947, ruled that the anti-injunction provisions of the Norris-LaGuardia Act (see chap. 24) were not applicable to the federally operated mines. The Court upheld the lower court's contempt conviction but ruled that the fine against the union be reduced to $700,000, provided the union withdrew its contract termination notice, which the union did. By a vote of the 1948 United Mine Workers Convention Mr. Lewis was reimbursed from union funds for this and a later fine levied against him personally.

of a large air-transport company were temporarily suspended as a result of the first strike of airline pilots in the nation's history.

The year 1946 also witnessed two city-wide strikes. Both A.F.L. and C.I.O. unions of Rochester, N. Y., staged a one-day stoppage to protest the refusal of the city government to bargain collectively with the A.F.L. State, County and Municipal Employees and the city's action in discharging 500 employees in the public works department who were seeking to form a union. A two-day general strike in Oakland, Calif., arose as a protest against a police escort given to strikebreakers going through picket lines of the Retail Clerks' Union.

Recent Stoppages

The general impact of work stoppages in 1947 was much less than in the preceding year. A major factor in the reduction of industrial strife was the willingness of industry generally to provide a "second round" of wage increases approximating 15 cents an hour, and improved vacation allowances. In only three cases —telephone, coal mining, and shipbuilding—were large portions of major industries affected by stoppages in 1947, and the four-month shipbuilding strike came at a time when the industry was not pressed for production. During the telephone strike, the first nation-wide telephone stoppage to occur in this country, partial service was maintained by supervisory workers and the dial system, although about 370,000 employees walked out. During the first weeks of the stoppage the National Federation of Telephone Workers, an independent union, demanded bargaining on an industry-wide basis, but the American Telephone and Telegraph Company insisted upon local negotiations. The union failed, and different terms of settlement were gradually made by its locals with the various Bell companies.

Early in July, 1947 there was a few days' stoppage in coal mining after the federal government returned to private operation the mines which it had taken over the year before. Largely due to the intervention of the U. S. Steel Corporation, which wanted to avoid an interruption in steel production which was at peak levels, the union was successful in obtaining a prompt settlement of its demands. The new agreement provided for an increase to the union welfare fund from 5 to 10 cents on each ton of coal produced,

wage increases, and a reduction in the portal-to-portal workday from 9 to 8 hours. Also, as a safeguard against legal actions which might arise under the newly enacted Taft-Hartley Act penalizing unauthorized work stoppages, the union secured a clause in its 1947 contract providing that miners would furnish their services "during such time as such persons are willing and able to work."

The first significant stoppage over the application of the Taft-Hartly Act occurred in November, 1947, when 1500 printers employed by six Chicago newspapers sought through strike action to continue their traditional practice of maintaining closed-shop conditions and the work rules established unilaterally by the International Typographical Union. This strike, one of the longest in history, was not terminated until September, 1949, when the union accepted an agreement which gave the union exclusive bargaining rights but also provided that experienced non-union persons could be hired, as well as modifications in some of the union's work rules. Chicago papers in the meantime were published by Varitype, a typewriter-photoengraving process.[16]

An industry-wide strike of C.I.O. Packinghouse Workers in the spring of 1948 was reminiscent of the strikes in the same industry after World War I, and marked labor's worst defeat in recent years. After 10 weeks of stoppage, during which there was considerable violence and several fatalities in picket lines of plants in Iowa, East St. Louis, and Chicago, workers returned to their jobs with a slight wage increase, the same amount which had been offered by the employers before the strike was called.

In contrast were the several coal strikes during the spring and summer of 1948. During this protracted dispute, marked by several stoppages, the employers and the government utilized every legal weapon at their disposal. Injunctions were sought and obtained ordering the miners back to work. Upon their refusal there were charges of contempt of court and heavy fines imposed, which were later rescinded upon the termination of the stoppage, as well as charges of unfair labor practices against the union and the union's president. Various issues were involved in this dispute

[16] Approximately one-half million dollars a month was expended by the Typographers union to finance this Chicago strike of 1500 members against the five major newspapers.

in addition to the demand for a substantial wage increase which did not in itself cause a work stoppage. One was the demand for an increase in the levy, to 20 cents a ton, for the Miners' Health and Welfare Fund; another the continuation of the union-shop clause without the election required under the Taft-Hartley Act[17]; another the continued elimination of the no-strike clause which the union had been able to get eliminated from its 1947 contracts in order to avoid the penalities for agreement violation under the Taft-Hartley Act. The miners won all their major demands; the provisions which the Taft-Hartley Act presumably outlaws were retained in the newly signed agreements but with the stipulation that they were "subject to a final decision of the court of last resort to which any party may appeal . . ."

Although there were a relatively large number of work stoppages during 1948, there were not as many as organized labor had predicted would take place when the time came for negotiating the first contracts after the passage of the Taft-Hartley Act. Those who favored this law credited the Act itself for preventing many work stoppages and it was true that in several threatened strikes "vitally affecting the public interest" President Truman, who had vetoed the Act, utilized its injunction and mediation provisions for delaying and resolving the disputes. But the basic reason why more work stoppages did not take place was more economic than legal. Business was prosperous and employers were willing to grant wage demands, and to by-pass certain provisions of the law through various kinds of subterfuges, in order to avoid work stoppages which would interrupt production and profits. As a consequence, a third round of wage increases was obtained by many unions without having to resort to strikes.

Strike idleness in 1949 was the second highest on record—second only, but less than half as large as the man-days idleness in 1946. Stoppages in two basic industries, steel and coal, accounted for 60 percent of the year's idleness. The major cause of the strikes in 1949, as well as during 1950, sprang from workers' fear of economic insecurity, and the resultant mass movement

[17] There was no question about the miners voting overwhelmingly for the union shop, but President Lewis' refusal "to abandon principle and sign the insulting anti-Communist affidavit" required by the Taft-Hartley Act made it impossible to hold such an election.

was a recrudescence of a prolonged struggle which had been allayed somewhat during the prosperous war period. Its appearance as employer-union struggles was a direct result of Congressional refusal to extend the coverage and liberalize the benefits under the Social Security Act.

Employer-financed pensions and contributory disability insurance programs were the dominant issues in the strikes which took place in the rubber, automobile, and many other plants, but it was the general strike in the steel industry, in the spring of 1949, which set the pattern for the terms of settlement of this issue. Approximately a half million steelworkers were out between one and two months before all the steel companies agreed to the kind of pension and welfare plans which the union demanded. (See Chapter 14.) The major issue, although not the sole issue, in the prolonged dispute in the coal industry was the union's demand for an increase in the levy for its Health and Welfare Fund.

During the prolonged coal dispute, which began in April, 1949, and was not ended until March, 1950, there were four industry-wide and numerous area stoppages, together with long periods of reduced production through union-sponsored 3-day-week operations. With all this curtailment in coal production, industry generally was not seriously hampered (an indication of the "overcapacity" potentialities of the coal industry) until the dispute had been in progress for many months. When the fourth industry-wide stoppage began early in February, 1950, President Truman invoked the national emergency provisions of the Labor-Management Relations Act and appointed a Board of Inquiry. A court injunction to cease the strike followed the Board's report; union president John L. Lewis instructed the miners to obey the court order but the miners refused to return to their jobs.

President Truman thereupon asked Congress for authority to seize the mines. The union had wanted government seizure but the operators had strenuously opposed it. But Truman's proposed bill for government seizure did not include the provisions which the union had sought, namely, provision for government negotiation of the new contract and withholding of profits during government operation of the mines. When both sides found that their political and legal maneuvering had come to a stalemate, and that their industry-wide negotiating structure might collapse with indi-

vidual employers signing up with the union, both sides suddenly resumed negotiations. The resulting contract, although it did not meet the full demands of the union, nevertheless included provisions (among them being a 70-cent-a-day wage increase and advance to 30 cents a ton in the Welfare Fund levy) which the union and miners interpreted as a great victory.

The most significant aspect of this coal dispute had to do with the effectiveness of the "national emergency dispute" clause in the Labor-Management Relations Act, because coal strikes had been dominant in the minds of the Congressmen who voted for this law in 1947. In accordance with the law, as already indicated, the government obtained an injunction ordering the union, its officers, and members to discontinue the strike and ordering the union president and officers to "instruct and take all appropriate action as may be necessary to insure that . . . all members . . . return to their employment forthwith. . . ." The national officers thereupon sent telegrams to its district and local offices instructing the miners to return to work but these instructions were ignored and the strike continued. Immediately the Attorney General petitioned the court, charging the union with civil and criminal contempt based on the assumption that there was a tacit understanding between the union officers and the members that the return to work instructions were not to be obeyed. After a three-day hearing before the same federal judge who had issued the original injunction, the court concluded that the "facts disclosed by the record . . . do not prove—either beyond a reasonable doubt or by clear and convincing evidence—that there has been willful contempt . . . by the action which it (the union) has taken or by the action which it has failed to take," even though the miners remained on strike.

Organized labor hailed this decision as proof of its contention that no law alone can force masses of unwilling workers to return to their jobs; that concerted action by workers is fundamentally an indication of spontaneous and voluntary decisions of the participating individuals rather than obedience to "orders" from union officers. During the prolonged dispute Congress had considered undertaking an exhaustive study of the coal situation, especially with respect to the serious underemployment resulting from increasing mechanization and declining markets. After the

immediate emergency of the stoppage was over, however, proposals for such a study were laid aside even though it was apparent that the terms of settlement of this particular dispute solved none of the basic, perplexing problems in the coal industry.

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CHAPTER 23

ADJUSTMENT OF LABOR DISPUTES

CONFLICT OF ECONOMIC INTERESTS AMONG CLASSES AND GROUPS, as well as among nations, has been a dominant thread of human history. It is a counterpart of mankind's eternal struggle for economic improvement or power. Conflict in itself is not necessarily a destructive force and may denote a healthy, vigorous society. Industrial conflict, for example, need not necessarily lead to work stoppages, and for every strike or lockout which has taken place in this country hundreds of employer-worker disputes have been settled peacefully[1] without interruption of production or wages. The problem of conflicts lies in their underlying causes, their forms of expression, and the means used for resolving them.

Although practically all labor disputes are symptoms of economic conflict between employers and employees, there are basic differences in the circumstances surrounding them, the conditions from which they arise, and their effects upon the public welfare. Each particular kind of situation requires a different approach in order to prevent a strike or lockout from occuring or to effectuate adjustment after a stoppage takes place. A dispute between a single employer and his employees is an entirely different matter from a labor dispute involving an entire industry, especially if that industry provides the raw material or means of production for many other industries. Disputes over the terms of employment—wage, hours, working rules, etc.—to be included in collective agreements present entirely different problems, and require different handling, from controversies caused by the con-

[1] The term "peaceful" is used in the popular sense of settlement before the occurrence of a strike or lockout. This use of the word is somewhat misleading, however, because it implies that strikes and lockouts are in themselves turbulent when in fact most of them involve no display of violence.

flicting interpretation or the violation of the terms of agreements already in effect. Jurisdictional disputes and those concerning union recognition and union status involved different principles than do disputes over wage rates.

The signing of an agreement by an employer and a union automatically removes some of the major causes of conflict—the matter of union recognition has been settled and the questions of basic wages, hours, and working rules have been agreed upon. Although the establishment of such a contractual relationship does not entirely remove the possibility of disputes, they should not develop into strikes and lockouts if the agreement also provides adequate adjustment machinery, and if all parties are willing to use the specified procedures. Likewise, unions have established various means for the adjustment of jurisdictional disputes although these have not always prevented strikes from taking place.

Most disputes arise over the terms to be included in new agreements—that is, wages, hours, and working conditions—as well as over the question of union status. For the final determination of such issues there are usually no prearranged contractual procedures because these matters involve the essence of collective bargaining. When collective bargaining fails or threatens to fail, government agencies are widely utilized on a voluntary basis. If the dispute threatens a stoppage which would affect the public health and safety there are special procedures established by law.

This chapter discusses the procedures now used by the union themselves, the arrangements provided under existing employer-union agreements, and the methods used by present government agencies. In Chapter 24 there will be further discussion of some of the unresolved problems connected with the prevention and settlement of labor disputes.

UNION RULES CONCERNING STRIKES

Practically every union constitution contains some statement regarding the calling and conduct of strikes. In general, the purpose of such clauses is to minimize hasty and ill-advised action and to provide financial aid and insure maximum success once a strike is called. In considering the purpose and character of strike

clauses in union constitutions it should be remembered that any organization's formally adopted rules may not be adhered to by all its members at all times. Just as individuals may ignore or violate civil laws, so members of unions may on occasion engage in strikes contrary to their unions' regulations. Such stoppages the unions themselves call "illegal" and fines may be imposed upon members who instigate them.

Rules for Calling a Strike

In order to call a strike, the majority of unions require a two-thirds affirmative vote of the membership affected, and sanction by the national president or general executive board. Some unions permit the calling of a strike by a majority vote of the local membership, whereas others require a three-fourths vote. Many stipulate that the vote shall be by secret ballot at a special meeting of the members which has been announced a given number of days in advance, and which is attended by at least one-fourth of the total membership affected. Some unions require the presence of the union's national representative at the local meeting when a strike vote is to be taken.

While such rules prevail, in the building-trades and some other unions, the local business agent is sometimes given authority to call "job" or "shop" strikes when in his opinion the agreement is being violated. But if such strikes will affect the members of other unions as well as his own, approval of the local or district trades council or joint board is required.

Although almost all unions require the sanction of the general executive board or the national president before a strike may be undertaken, in practice this sanction is usually effective only so far as financial aid is sought and obtained from the national. Some unions specifically limit the sanction requirement to strikes which the national union is to finance, and in such cases the local's vote to call a strike is final if the membership does not expect to receive strike benefits or other aid from its national office. On the other hand, the locals of some unions are absolutely forbidden to engage in any strike without approval of the national office; otherwise they may be suspended.

In some situations the general executive board (or the national president) is authorized to take the initiative in calling strikes,

with or without a vote of the local membership. Whether so defined or not, the circumstances under which the national office is empowered to call a strike on its own initiative are usually confined to situations which violate a basic principle of the union and thus jeopardize its existence. A few unions, for example, permit the national executive board to call a strike whenever "necessary to defend the organization" or "to protect the union's jurisdiction," in a "great emergency," or, more particularly, "where members are working on struck work."

Rules for Terminating a Strike

Unions which require a three-fourths vote of the members to call a strike usually require only a majority vote for its termination. As with the calling of a strike, the authority of the general officers to end one varies in the different unions. In some instances the national president has the power to call off a strike whenever in his judgment it is to the best interests of the union to do so. More generally the termination of a strike is dependent on the vote of those immediately involved, although the influence of the national officers usually has considerable weight. In all cases, so far as the continuance of strike benefits is concerned, the national officers have the final word.

Strike Benefits

The calling of a strike is a serious matter to the workers and union concerned, for it means loss of earnings and union dues and perhaps substantial cash outlays from the union treasury. Although the union's ability to pay strike benefits when needed varies greatly, practically all of them seek to maintain a reserve to finance strikes, which is most commonly called the "defense fund."

The amounts in these defense funds naturally fluctuate, depending both upon the provision made for maintaining them and upon the necessity for withdrawals at any particular time. Some union constitutions specify that a certain portion of the regular dues shall be regularly deposited in the defense fund, while others specify a minimum amount which shall be maintained; if the fund falls below the specified amount, the treasurer is authorized to levy special assessments. In the case of a prolonged strike by

a local which the national union considers important to union security or expansion, the national office may levy a special assessment upon the members of the locals not involved in the stoppage. When separate funds are not maintained and strike benefits must be paid from the general fund, the drain upon the treasury during a prolonged strike may jeopardize other activities of the union.

The amount of weekly benefits paid individual members while out on strike is by necessity based on minimum subsistence needs during the period of loss of wages. Few unions pay more than $10 or $15 a week per member;[2] and in strikes involving large numbers, as in the mass-production industries, grocery allowances or commissaries may be provided in lieu of individual cash payments. Usually benefits do not begin until after a strike has been in progress for at least two weeks, and many unions place a limit on the maximum number of weeks in which benefits may be paid, regardless of the duration of the strike. In any case, actual payments are contingent upon the condition of the union's treasury when the strike occurs.

Jurisdictional Disputes

Disputes between two or more unions over the right to do certain jobs or kinds of work are frequently the most baffling of all labor disputes to resolve. They are usually "family" quarrels, since most of them are controversies between unions within the American Federation of Labor, and by their very nature are best settled within the labor movement itself. Like family quarrels, however, they sometimes lead to separations, and when that takes place there is no means within the Federation itself even to attempt to resolve them.[3] Because of their potentially disruptive

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[2] Exceptions are the printers' unions whose strikes usually involve fundamental issues common to all their members even though the stoppage is confined to a particular local. During the 22-months Chicago strike in 1948–1949 involving the application of the closed-shop provisions of the Taft-Hartley Act, the Typographical Union paid strikes benefits to married members amounting to 60 percent of their weekly earnings and to single members 40 percent. The strike was financed by a levy of 5 percent of the weekly wages upon all members throughout the country.

[3] The prolonged Hollywood jurisdictional dispute is an example of the intense and stubborn nature of these quarrels. In a Congressional committee hearing in 1948 on this dispute, the President of the Brotherhood of Carpenters testified that he had made an agreement with the A.F.L. Executive Council in

results to the labor movement, and because organized labor realizes they are the least defensible in the eyes of the public, the American Federation of Labor has sought various means to resolve jurisdictional disputes before stoppages take place.

A primary function of both the Building Trades and the Metal Trades departments of the A.F.L. is to handle jurisdictional disputes among their affiliates. The 1946 convention of the Metal Trades Department established a procedure which provides for immediate conferences between local representatives of unions involved in a jurisdictional disagreement. If the local representatives fail to agree within 24 hours, the matter is automatically referred to the national presidents of the unions concerned. If the disagreement persists after 96 hours, the national presidents are to choose a referee who is empowered to make a binding decision.

As an alternative to having the National Labor Relations Board settle their jurisdictional disputes under the terms of the Taft-Hartley Act, the Building Trades Department in 1948 entered into an agreement with the national organizations of the contractors which provides that jurisdictional disputes not settled locally shall be referred to a national board of trustees consisting of four representatives from the industry and four named by the national building trades unions. The trustees will decide if the dispute has ever been the subject of a previous "decision of record." If the principle in question has already been determined by a "recorded agreement" the case is terminated at that point. If not, the dispute is referred to a joint arbitration board composed of a permanent impartial chairman and two union and two employer representatives who are not directly involved in the dispute. These union and management members are chosen for each dispute by the permanent chairman from pools of twelve persons from each side who have been appointed by the trustees. The arbitration board is required to render a decision, if possible, within 10 days after the end of the hearings. The plan specifies that

1945 to have an arbitration committee hand down a "final and binding" award. The award was against the carpenters and he did not abide by it, and gave as one reason for his action that the agreement was "just dumb words of dumb labor leaders." The arbitration award, which originally allocated the disputed work to the stagehands, was subsequently "clarified" by the arbitration committee. This change satisfied the carpenters but was disapproved by the stagehands and the dispute continued. (New York *Times*, February 24, 1948.)

board decisions must be accepted and complied with by all parties and that "there shall be no stoppage of work arising out of any jurisdictional dispute."

SETTLEMENT OF DISPUTES UNDER EMPLOYER-UNION AGREEMENTS

Experience with collective bargaining has led to a general acceptance of three essentials for the adjustment of disputes which arise under an employer-union agreement: (1) union-management negotiations, beginning with the foreman in charge of the shop or department where the dispute originates and proceeding up to the highest officials of the company; (2) if such negotiations fail to secure an adjustment, appeal to an impartial outside agency or individual; and (3) restriction on strikes and lockouts until these other means of settling the dispute have been exhausted.[4]

Important sections in all agreements signed by employers and unions are those which outline the procedural arrangements for the appeal and final adjustment of employee grievances, as well as charges by the union or the employer that the agreement is being violated. There are considerable variations in the arrangements now in effect, and they signify much more than nominal differences due to happenstance. Procedural arrangements, and the sincerity with which they are followed by all parties, can mean the difference between good morale and constant friction in a plant. They determine the relationship between employees, the union representatives, and the foremen, and affect their status and rights as persons and as constituents of the enterprise.

There is no one best procedure which could be followed in all industries, and within a given plant the procedures are altered from time to time as experience deems advisable or the desires of the parties make necessary. The particular arrangements existing in any plant are influenced by the confidence which the union and the management have in each other, the personalities involved, as well as the nature and size of the enterprize.

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[4] Previous to the passage of the Taft-Hartley Act most agreements specified that there should be no stoppages while grievances were being negotiated, but the liability for breach of contract imposed by the Act has lead some unions to drop their "no-strike" clause.

Negotiating Personnel

The workers usually select their own representatives to negotiate with management when a dispute arises. The most common procedure is for the employees in a shop, or in each department of a large plant, to elect one of their own group to serve as shop chairman or steward who acts as their representative in the initial handling of a grievance. In large plants there are shop committees composed of the stewards elected from the various departments. Occasionally the shop officers may be appointed by the local union rather than being elected by the members of the local who work in the particular shop. Under the terms of many agreements, the stewards and members of the shop committees are placed at the top of the seniority list of the plant or department in which they work. This serves as an inducement to assume the responsibilities of a stewardship, removes fear of discriminatory dismissal because of action taken in connection with the work of a steward, and safeguards continuity in grievance adjustment personnel.

In the building-trades and a few other unions, the shop chairman or steward performs a less important function. He may handle some negotiations with the foreman, but the major burden of enforcing the agreement provisions falls upon the business agent. Although the steward is responsible for securing compliance with the terms of the agreement on a particular job, the business agent has this responsibility for all the employers in the same industry throughout the city. The business agent is a paid, full-time officer elected by the members of the local or appointed by a designated union official. He is not an employee of any of the workplaces covered by the union agreement, but he usually has a knowledge of the industry through previous employment. In order to function, the business agent must be able to enter the plants under his jurisdiction during working hours and check up on working conditions at first hand.

The employee's immediate supervisor is ordinarily the first negotiator on behalf of the employer in dispute negotiations with the union. In small establishments, the owner himself may handle the initial negotiations; in large industrial concerns the foreman, the department superintendent, the division superintendent, and the plant manager are in turn responsible for dealing with the

union representatives. Personnel or labor relations officers, where these are employed, usually take an active part when appeal is taken beyond the foreman, although in some instances the personnel office is involved only after negotiations with the departmental official have failed to secure a settlement.

In a number of industries, agreements are made with associations of employers which are city-wide or regional in scope. Although these associations are at times established solely for the purpose of negotiating new agreements, they may also serve as enforcement agencies; in this case the association officials help to settle disputes which arise between the union and any employer who is a member of the association. These association officials are elected by the member firms and, like business agents of the union, are experienced in the industry and familiar with its problems.

Initial Steps in Appeal Procedure

How shall a grievance be initiated? Shall an aggrieved employee take his complaint directly to his foreman or to his union steward? If the latter, how much responsibility shall the steward assume in deciding the validity of the grievance, that is, whether or not the complaint shall be presented to the foreman? Must the decision negotiated by the steward and the foreman be accepted as final by the employee? These questions have aroused a great deal of controversy between managers and unions; they have been major issues in cases brought before the National Labor Relations Board and they are one of the many issues referred to in the Labor Management Relations Act.

Management usually prefers to have an aggrieved employee take his complaint directly to his foreman, maintaining that this procedure preserves a healthy personal relationship between workers and their foremen, that it is less time consuming, and that stewards tend to magnify troubles and make unimportant differences become "issues." The attitudes of individual workers differ, depending upon how adequate they feel they are to handle their own grievances, their personal relationship with their foreman and with their steward. If an employee has a "stand-in" with his foreman, or for some reason does not like or trust his steward, he naturally prefers to deal directly with his foreman. On the other hand, a large proportion of employee grievances involve

some action or decision of the foreman, and few employees have the desire or the courage to argue with their "boss" about something he has done or not done.

In general, unions want their stewards to participate and to assume the deciding role in all the negotiations of employees with their supervisors because they feel that such day-to-day personal service increases loyalty to the union. Moreover, unions claim that by having all complaints channeled through the stewards there is more uniformity in decisions throughout the plant, and there is less likelihood of partiality or discrimination on the part of the foremen.

The original National Labor Relations Act qualified its permissive union-shop clause with the proviso that "any individual employee or a group of employees shall have the right at any time to present grievances to their employer." The National Labor Relations Board interpreted this clause to mean that an employee might present a grievance alone, but that foremen could not make a settlement without the union's consent; otherwise an individual might settle for less than his legal rights which might adversely affect the rights of other employees whom the union represented.

Many employers were dissatisfied with this interpretation and the Taft-Hartley Act now includes a clause which specifically allows individual employees or groups of employees to take up their grievances with their employer and to have such grievances adjusted without the intervention of the union representative "as long as the adjustment is not inconsistent with the terms of a collective-bargaining contract." However, the law provides that the union representative shall be given an opportunity to be present during the process of adjustment.

Final Steps in Grievance Negotiations

For complaints not satisfactorily settled at the foreman level, union agreements usually provide formal machinery for appeal to higher levels of management; the number of appeal steps depending upon the size of the plant, or number and locations of plants where companies have numerous plants. Plans vary with respect to the procedure and the participating personnel. In a minority of plants, the aggrieved employee, or employees, and the steward

continue to take part in the discussions with higher management, with or without help from other union officials. In most companies the employee and the steward drop out of the negotiations at the second step and the issue is turned over to the shop committee or the chief steward of the plant. Likewise the foreman no longer takes an active part but refers the issue to his superior.

Depending upon the character of the industry as well as the bargaining tradition of the union, the appeal of a dispute to the highest company officials may be handled by the officers of the local union, or provision may be made for the active participation of regional or national officers in the final stages of the joint negotiations. Locals organized on a city-wide basis, or including many small workplaces in a given area, ordinarily settle their grievances without reference to their national officers, the business agents dealing with the necessary officials of the companies.

On the other hand, unions in large industrial corporations often reserve the highest stages of grievance appeals to their regional or national representatives. This may be done to take advantage of the more skillful bargaining ability of the higher union officials or because the physical location of the corporation's central office, removed from the site of production, makes it difficult for the local union leaders to handle negotiations. Furthermore, when a grievance case reaches the highest company officials, the decision may involve an important principle of union-management relations, applicable to more locals than the one originally involved in the dispute.

In multiplant companies there is the problem of who should have the authority to give the final decision for management—the local plant manager or the central office of the corporation. A corporation's policy with respect to union dealings is influenced by its policy of local autonomy versus centralized control pertaining to other matters of plant operation. In general, large corporations prefer to have the final decisions on important employee controversies made by their central offices, believing that this insures greater uniformity in the interpretation and application of the agreement among all their plants, and that their industrial relations experts at the central office are better qualified than their plant managers to protect the corporation's long-time interests.

Unions usually favor having the plant manager assume final authority in the settlement of disputes arising under their contracts. (In negotiating new contracts, as was indicated earlier, unions generally prefer to negotiate with the company's central office for the purpose of obtaining a company-wide agreement.) In addition to the delays, cost, and inconvenience of appealing cases to an office situated hundreds of miles distant, employees and their unions feel that decisions rendered by the central office tend to be legalistic; that they are influenced by company lawyers who are not familiar with shop conditions; and that rulings which the company agrees might work in one plant are disallowed because they may be inappropriate at another plant.

Methods of Presenting Appeals

Important elements in the adjustment machinery are the form of presentation of the issues in dispute and the time it takes to process cases. Shall employee grievances, for example, be presented orally or by formal written notices? In a study of 100 medium and large-sized plants,[5] it was found that in 12 percent of the plants grievances were initiated by presenting written notices to the foremen, while in 10 percent written presentation was required only when appeal reached the highest management level, that is, the final step before referred to outside arbitration. In the other plants, although written notices were not required at the foreman level, they were necessary if the appeal was carried to higher supervision.

Both employers and unions agree that there are advantages and disadvantages to having employee grievances presented in written form. The advantages, as stated by employers, are that it eliminates petty complaints and keeps the discussion on the issues as presented; that it furnishes a full history of the case as it progresses through the various steps of appeals; that it makes possible a periodic analysis of the types of grievances thus enabling management to find out which foremen and which stewards have the most grievances; that it minimizes misunderstandings both in the presentation and in the discussions. Some of the advantages of written presentation cited by the unions are that it

[5] An unpublished study made by the U. S. Bureau of Labor Statistics in 1945.

reduces delays and distortions of the case as it is processed; that signed complaints enable the steward better to judge the validity of the case, and that they are less likely to be withdrawn; that grievance case records are helpful in drafting new agreements.

Management cites as disadvantages to written presentation that it creates fixations in the employees' minds and encourages workers to feel they have grievances when in fact they are only misunderstandings; that it tends to increase "artificial" complaints sponsored by union stewards; that employees and stewards spend too much time writing out grievance slips; that when decisions are in writing it tends to establish precedents when none are wanted. Unions cite that disadvantages of written presentation are that it discourages some workers from filing their grievances, largely because their names will become a part of the company records; that it is harder to get a reversal of the foreman's decision because higher management is reluctant to reverse formal written decisions of their foremen; that it is difficult for unschooled workers to write out their complaints; that it results in too formal and punctilious discussion and decisions.

Time Allowances for Appeals

Another important issue in the processing of appeals is the time it takes to get decisions. All persons concerned with the adjustment of employee grievances concede that prompt settlement is desirable; that delays cause unrest and antagonisms and tend to make small dissatisfactions grow into major disputes. In spite of charges of unreasonable delays, however, there is not common agreement that specific time limits for handling grievances should be included in employer-union contracts. The study referred to above indicated that in about 25 percent of the plants both the employers and the unions opposed the incorporation of specific time limits in their agreements; in about 45 percent both parties favored, and in the others the employers and unions were about equally divided as to its desirability. Nevertheless, in these plants only 15 percent of the agreements failed to specify any time limits. Many more imposed time limits for employers than for unions or employees.

Union objections to specified time limits are that they permit employers to "stall" the maximum allowed time for small griev-

ances which should be settled immediately, while management opposition is based on the desire for flexibility and aversion to rigid formal "trappings." On the other hand, many unions feel that employees should have the assurance that their grievances will be settled promptly; that without time limits grievances pile up and lead to work stoppages. Some companies also favor time limits in order to reduce procrastination on the part of their supervisors; they also feel that unions and employees should be subject to deadlines—that after a specified number of days grievances should automatically become "untimely" for purposes of appeal.

Costs of Grievance Adjustment

In building construction and a few other trades the task of settling controversies arising over the interpretation and application of agreements falls upon the business agents who are full-time, paid officials of the union. In mass-production industries the processing of employees' grievances is done by shop stewards who are employees of the company. For shop stewards, negotiations with management involve interruptions in their regular work and the question arises as to how they shall be reimbursed for the time spent in handling grievances. The issue is especially acute when stewards are working by the piece or under other wage incentive plans where every moment away from the workbench results in immediate loss of earnings.

The problem has its theoretical as well as its practical implications. Some unions firmly believe that reimbursement to stewards for time spent in handling employee and union affairs during the workday should come out of the union treasury; that this insures independence of action by stewards and protects them from employer-imposed restrictions and influences. Many unions as well as employers, on the other hand, consider the function of grievance handling as a phase of industrial relations management; that it is as important to the company as to the employees to have controversies settled, and therefore the time necessary to get them adjusted is a proper charge against business operation. They argue that the company pays the salaries of the foremen and other management representatives, and that it is equally reasonable that the company should pay the time of the employee representatives.

From a practical standpoint, the costs involved are not negligible. In one company, for example, which employs 30,000 workers there are 3000 stewards, chief stewards, and other employee representatives. Each of them average about four hours a week in grievance negotiations—a not unreasonable amount of time for taking care of the shop troubles of an average of 100 employees. Reimbursement for this time approximates $900,000 a year and this does not include the indirect costs resulting from interruptions in the flow of work when stewards leave their jobs—a matter which is especially noticeable under the conveyor-belt system of operation.

Some companies, although accepting the principle that the company should assume the full costs for grievance handling, nevertheless complain that some stewards take advantage of the pay arrangements; that "they would rather attend to grievances than their regular work." As protection, they have had clauses inserted in their agreements with unions to the effect that stewards shall be paid for "necessary time off when arranged with foremen," or "so long as the privilege is not abused," or "with the understanding that when the company considers the privilege has been abused, it may bring the matter up as a grievance," or "with the expectation that the union shall accept the responsibility for keeping the time to a minimum."

In the study of the 100 medium and large plants referred to previously, it was found that in more than half of the companies there was no fixed limitation of the time allowed stewards for handling grievances, and that the company paid them their full wages for time spent in conference with management representatives during the regular workday. At least 20 percent also reimbursed stewards for time spent in conferences with management outside of working hours. Except for a few instances where the stewards were paid by their unions, all the other companies also reimbursed the stewards, but within stipulated amounts, for example, not more than 2 hours a day, or for meeting with management representatives beyond the foreman stage of negotiations.

Arbitration of Disputes Arising Under Union Agreements

Most disputes arising while agreements are in effect are adjusted at some stage in the union-management negotiation proc-

ess, and only occasionally do they have to be referred to an "outsider" for final settlement. Nevertheless, the great majority of employer-union agreements make provision for the arbitration of disputes arising over the interpretation or application of the agreement in the event the parties to the dispute are unable to settle the matter. In the few agreements which do not provide for arbitration, there may be provision for referring the dispute to a state or federal agency for conciliation or mediation. Although this brings the assistance and prestige of experienced negotiators into the proceedings, it does not automatically provide a decision which must be accepted.

As a rule, unadjusted disputes may be referred to arbitration upon the request of either the employer or the union; in practice, this insures automatic arbitration whenever a dispute is not mutually resolved. Under the terms of a few agreements, both parties must agree to have the matter referred to arbitration; this means that the party satisfied with the *status quo* is able to prevent recourse to arbitration. Since it is usually the union that is seeking redress, under the latter type of arbitration referral the union must either decide to accept the management's decision or resort to economic pressure and call a strike.

The most common form of outside reference is through the selection of an impartial chairman by a committee on which both sides are equally represented. The chairman may be selected to function with the committee from the beginning, or he may be added only after the joint committee has failed to make an adjustment. Some agreements do not leave the selection of an arbitrator until a dispute gets to the stage of arbitration, but specify an individual who is to act as arbitrator as needed throughout the life of the agreement.

When the agreement covers more than a single city, joint machinery may function over a wide area; and when agreements cover virtually the entire industry, the joint machinery operates for the entire industry. For example, the agreement in the pottery industry refers disputes to a standing committee composed of representatives of the association and the union. For many years there has been a permanent board of conciliation in the anthracite industry which has research and administrative functions in addition to settling disputes arising under the agreement. Highly de-

veloped joint machinery is found in the garment industry where, because of the nature of the industry which is characterized by seasonal fluctuations, style changes, complex piece-rate structures, and subcontracting, the day-to-day settling of these problems is necessary to insure a smoothly functioning employer-union relationship.

The arbitrators hold hearings, take testimony, and occasionally make independent investigations of the facts. In order to avoid unnecessary delays, a time limit is generally set for each step in the process—the selection of arbitrators, the conduct of hearings, and the rendering of decisions. The decision of the arbitrator is final and binding on both parties. Arbitrators' decisions have occasionally been taken to the courts for enforcement, although workers usually prefer to use the strike in preference to long-drawn-out litigation. Whenever the agreement is made with an employers' association, the association officials are held responsible for the compliance of member companies.

FEDERAL GOVERNMENT AGENCIES FOR SETTLING DISPUTES

Arrangements established by joint agreement of employers and unions are effective for the adjustment of most of the day-to-day shop controversies. Such contractual procedures, however, become inoperative at the termination date of the contract and it is at this time that the most serious disputes are likely to arise, because negotiations for a new agreement involve the fixing of wages and other employment conditions.[6] Direct negotiation by employers and unions on the terms to be included in their contracts is the essence of collective bargaining and both parties usually strive earnestly to reach mutually satisfactory terms. If they become deadlocked there are only three recourses: either party may declare a work stoppage which in itself does not resolve the matters in dispute; they may refer the issue to an outside party for arbi-

[6] In many of the European democratic countries there are special legal and quasi-legal arrangements for the arbitration of disputes arising over the interpretation of an agreement, called "disputes on rights," and the conciliation or arbitration of disputes over terms of a new agreement, called "disputes on interests."

tration in which case they must agree beforehand to accept whatever decision the arbitrator may make; they may ask for the assistance of a conciliator to help them to settle the dispute themselves.

In order to assist the parties directly involved in disputes, as well as to protect the public interest against work stoppages, the federal and state governments and a few cities have for many years been concerned with the prevention and the settlement of labor-management controversies. Some of the established government procedures were recently revised in response to provisions in the 1947 Labor Management Relations Act.

Present government agencies for the adjustment of labor disputes are of two general types: (1) mediation and conciliation agencies, which have no legal power to compel acceptance of their recommendations and which may not even have a legal right to intervene if the parties to the dispute do not request their assistance; and (2) boards and commissions, which are empowered to administer and enforce specific laws concerning employer-employee relations and working conditions.[7]

Federal Mediation and Conciliation Service

The 1913 law which established the U. S. Department of Labor provided among other things that "the Secretary of Labor shall have the power to act as mediator and to appoint commissioners of conciliation in labor disputes whenever in his judgment the interests of industrial peace may require it to be done." Pursuant to this law the Federal Conciliation Service was established which functioned as an arm of the Secretary of Labor until the passage of the 1947 Labor Management Relations Act. The new Act established a Federal Mediation and Conciliation Service which is independent of the Department of Labor and is under a single director

[7] In time of war the government must take unusual measures to minimize strikes which interfere with war production. During both World Wars, National War Labor Boards were established as supreme tribunals for the adjustment of disputes. In case of noncompliance with the Boards' decisions, the plants were taken over by the government. For a full account of the World War II Board's activities, consult *The Termination Report of the National War Labor Board,* U. S. Government Printing Office, Washington, 1946. See also Joseph Shister, "The National War Labor Board: Its Significance," *Journal of Political Economy,* March, 1945.

appointed by the President with the advice and consent of the Senate. The Act also created a Labor-Management Panel, composed of 6 employer and 6 labor representatives, to advise the Director upon his request. All the functions of the former Conciliation Service, together with the personnel, were transferred to the new agency and, with a few exceptions, it operates in the same manner as its predecessor.

Before the enactment of the Taft-Hartley Act the Conciliation Service intervened, upon request, in any kind of dispute except those covered by the Railroad Labor Act. In four ways the activities of the present Service are more limited than were those of its predecessor: First, the new law directs the Service to avoid intervening in disputes which "have only a minor effect on interstate commerce if State or other conciliation services are available." Formerly, any party to a dispute was free to ask either his state or the federal agency to intervene, and frequently the combined efforts of both were utilized. Second, in disputes arising over the application or interpretation of an existing agreement, the Service is instructed to intervene "only as a last resort and in exceptional cases." Third, as indicated later, the responsibility for settling jurisdictional disputes is now a function of the National Labor Relations Board. Fourth, disputes threatening the national health and safety are handled primarily by the President and his appointed fact-finding boards although the Service does intervene at one stage in the process of settlement.

In one important respect the responsibilities of the Service were expanded by the Taft-Hartley Act. The law now requires that the Service be notified 30 days before the termination of all agreements (in industries covered by the Act) where the parties themselves have not negotiated new terms. The Service then decides whether or not it shall intervene. This provision is probably of more practical value to unions than to employers because it forces the employers to participate in the conciliation process; traditionally employers have been much more reluctant than have unions to seek the services of the government agency.

Government conciliators are engaged in efforts to settle questions in dispute before strikes and lockouts occur, or to bring the latter to a speedy settlement if they have already begun. The Conciliation Service may enter a case at the request of either party to

the dispute, or at the request of some representative of the public, such as a mayor, governor, or congressman. It may also intervene upon its own motion, but this is done only in the more serious disputes when it is believed that the public interest warrants. Government conciliators have no power of coercion or means to enforce their recommendations, although parties to a dispute are required by law to participate fully and promptly in conferences called by the Service. The results a conciliator obtains are very largely dependent upon the prestige of his office, the assistance he can render by reason of his knowledge of the facts involved in the dispute, his skill as a negotiator, and the willingness of the opposing parties to come to an agreement.

A conciliator has no set formula of procedure when he is called in to help settle a dispute. Whenever possible, he tries to get the parties concerned to discuss their differences in conference, in which case he acts as a conciliator. Frequently, especially during the early stages, either or both parties refuse to meet together. He then acts as a mediator, holding separate conferences with the respective sides, adjusting the minor points of misunderstandings or differences, and getting each side to agree upon what major points can or shall be further negotiated. If either or both sides still refuse to discuss these major points together, the conciliator may draft a plan of settlement independently and submit it to the parties as a recommendation, or he may obtain the approval of both sides to have the matter arbitrated. He may be asked to select an arbitrator, or the parties may request him to serve as arbitrator. As an arbitrator, his decisions are final and must be accepted by both parties in accordance with their voluntary agreement to accept such arbitration.

The role of the conciliator has been described by one authority as follows:

> It is the role of the conciliator to help the parties choose peace. As a representative of the public interest, he represents the generalized interest of labor and of management for peaceful and therefore constructive labor relations. More than this, he represents the public interest in avoiding the secondary effects of a stoppage of production, the loss of worker income, the loss of profits, and the emotional conflicts that result. In part his job is to help the parties see more seriously and vividly their own self-interest in a peaceful settlement. More than that, he has

a responsibility to insist that the parties look realistically at their public responsibility to seek a peaceful way out.

When the conciliator enters an industrial dispute it is his responsibility to size up the reasons why a deadlock has developed and to help the parties get beyond it. He needs to help each party to clarify its own objectives, to weigh them again in the light of the facts, to understand the objectives and problems of the other party, and to aid them in reaching a situation in which they can realistically make their own choice of alternatives.

The conciliation process is a part of the collective bargaining process and is not a substitute for it. The conciliator cannot substitute his judgments for those of the parties. He cannot decide for them what their goals are and at what point their divergent goals should be balanced. He cannot substitute his judgment for their measuring of the comparative economic strength of the parties. He must be certain that the parties accept the necessity to make their own choices and the responsibility to live up to their agreements.[8]

Fact-finding Boards

Immediately after the termination of the National War Labor Board and the wartime wage stabilization program in August, 1946, fact-finding boards were established to settle wage disputes in a number of important industries. Their functions were to determine the facts in each dispute and make recommendations for settlement within the reconversion wage-price policy of the government.[9] In essence, their function was the quasi-judicial one of applying this policy in specific instances, with reliance upon public opinion to force the conclusion of employer-union agreements on the basis of recommendations made. Usually the boards held informal public hearings in which all the parties concerned had full opportunity to present oral information and submit written briefs. During the course of the proceedings, the unions and employers

[8] "The Conciliation Process" by W. Ellison Chalmers, *University of Illinois Bulletin,* Urbana, Illinois, 1948.

[9] For a discussion of the basic wage problems with which these boards were faced and their general recommendations, see H. M. Douty, "Wage Policy, and the Role of Fact-Finding Boards," *Monthly Labor Review,* April, 1946; John T. Dunlop, "Fact-Finding in Labor Disputes," *Academy of Political Science Proceedings,* May, 1946, Vol. xxii, No. 1; Bryce M. Stewart and W. J. Couper, *Fact Finding in Industrial Disputes,* Report No. 11, Industrial Relations Counselors, Inc., New York, 1946.

were encouraged to resume collective bargaining; but if their efforts failed, the issues were referred back to the boards.

When the first boards were appointed, many nonpartisan persons were hopeful that the fact-finding principle would prove to be not only the panacea for the settlement of existing strikes, but a forerunner of procedures to be used in future employer-union disputes. These hopes were soon dashed by the reaction of employers and unions, both of which opposed the principle of compulsory fact-finding by government boards. Fundamental to adequate fact-finding in a wage dispute is knowledge of a company's financial condition, but employers expressed vigorous opposition to having "outsiders" examine their books.[10] The attitude of most of the unions as well as the employers was that the

"fact-finding procedure and its many varieties and forms hinder rather than help the promotion of industrial peace. They place a premium on the professional technicians who in their role of outsiders make judgments unrelated to the operating experience of workers or employers. They provide an entering wedge for the usurpation by government fiat of the private responsibility of adjusting the work arrangements in the light of the practical relationship between workers and employers."[11]

[10] When this issue first arose, President Truman said: "In appointing a fact-finding board in an industrial dispute where one of the questions at issue is wages, it is essential to a fulfillment of its duty that the board have the authority, whenever it deems it necessary, to examine the books of the employer. That authority is essential to enable the board to determine the ability of the employer to pay an increase in wages where such ability is in question. Ability to pay is always one of the facts relevant to the issue of an increase in wages. This does not mean that the Government or its fact-finding board is going to endeavor to fix a rate of return for the employer. It does mean, however, that since wages are paid out of earnings, the question of earnings is relevant." The President's statement also declared that the information obtained from the books of an employer should not be made public.

The test case came in the General Motors' dispute in 1945–1946, in which the union was insistent that the company could afford a wage increase without increasing the prices of its product. The company refused to allow the fact-finding board to examine its books and withdrew from the hearings in protest against the board's decision to consider the question of the company's ability to pay as one factor in its wage recommendation. The strike was finally settled by allowing both a wage increase and a price increase.

[11] President William Green of the American Federation of Labor, in testimony before a special committee of the House Labor Committee on July 1, 1946.

A different attitude was taken by the C.I.O. during the dispute in the steel

Regardless of the fears of both management and unions that fact-finding boards are an entering wedge to compulsory arbitration, they seem to be the only alternative in sharply contested disputes in major industries where work stoppages seriously impair the entire economy. In a democracy crises occasioned by group conflicts must be resolved through the pressure of public opinion, and the public must rely upon the judgment of impartial persons who have made a thorough study of all sides to the dispute.

National (Railroad) Mediation Board

Labor relations for the railroad and air transport at the present time are governed by the 1934 and 1936 amendments to the 1926 Railway Labor Act. These created a three-man National Mediation Board appointed by the President, and a National Railroad Adjustment Board consisting of 18 carrier (employer) representatives and 18 union representatives. The Adjustment Board, with headquarters in Chicago, is divided into four separate divisions, each of which has jurisdiction over a distinct class of employees, namely, train and yard service, shop crafts, and so forth.

In this arrangement for handling labor relations on the railroads, a clear distinction is made with respect to the basic differences in the character of labor disputes, that is, those over the interpretation and application of existing agreements, and those over the terms of a new agreement—wages, hours, and working conditions—and questions concerning bargaining units and representation agencies.

The Adjustment Board handles disputes "growing out of grievances or out of the interpretation or application of agreements concerning rates of pay, rules, or working conditions." Its decisions may be enforced by civil suits in federal district courts. If the bipartisan board is unable to agree, it must appoint a referee;

industry in 1949. In this case the United Steel Workers promptly agreed to President Truman's plan for a fact-finding board and accepted the Board's findings even though the Board rejected the union's demand for a wage increase. The steel companies, on the other hand, vigorously objected to the fact-finding procedure—although they coöperated during the hearings—and refused to agree to the Board's recommendations with regard to company-financed benefit programs. It was only after prolonged strikes that the union finally gained the benefit programs.

if it cannot agree in a selection, the National Mediation Board appoints the referee.

The National Mediation Board intervenes in the other two classes of disputes. By holding elections or by other means it certifies who shall represent the workers in their collective bargaining;[12] on request of either party to a dispute involving changes in pay, rules, or working conditions, or on its own motion in cases of emergency, it intervenes and through mediation attempts to bring about an agreement. If its mediating efforts fail, the Board endeavors to induce the parties to submit their controversy to arbitration, the arbitration board to be selected by the parties concerned. If they cannot agree on the selection, the Board is authorized to name the members of the arbitration board.

If arbitration is refused by either party and the dispute should "threaten substantially to interrupt interstate commerce to a degree such as to deprive any section of the country of essential transportation service," the Board is required to notify the President, who may appoint an emergency board to investigate the facts and report thereon within thirty days. During this time no change, except by agreement, may be made by the parties to the controversy in the conditions out of which the dispute arose. The law does not require compliance with the recommendations of the emergency board, although the publication of the findings makes it difficult for either party not to follow its suggestions.

The present machinery for settling disputes on the railroads and in air transportation does not provide an absolute guarantee against stoppages. This was evidenced by the two-day strike of two railroad brotherhoods in the spring of 1946, the strikes against major airlines in 1947 and 1948, and the threatened strike of three railroad brotherhoods in the spring of 1948 which was called off only after the government took over the railroads and

[12] The National Mediation Board certifies the union receiving the majority vote in an election within an "appropriate" unit. While the Board takes into consideration the customary practice of the union or unions involved, in many cases involving rival claimants it must define jurisdictional boundaries in order to determine the appropriate bargaining unit. During the first thirteen years that the National Mediation Board was responsible for certifying collective bargaining agencies in the railroad industry, it disposed of almost 2000 representation disputes, of which 40 percent involved two or more rival unions. See Herbert R. Northrup, "The Appropriate Bargaining Unit Question Under the Railway Labor Act," *Quarterly Journal of Economics*, February, 1946.

obtained a court injunction against the unions. Nevertheless, under the procedures established under the National Mediation Act thousands of grievances and controversies have been adjusted, and threatened stoppages have been delayed during which time last minute efforts have been successfully used to thwart stoppages of work. The merits of more drastic legal measures are discussed in later chapters.

The National Labor Relations Board

The 1935 National Labor Relations Act established a three-member nonpartisan, quasi-judicial board which interpreted and administered that act until 1947. The Taft-Hartley Act introduced fundamental changes in the composition and internal operation of the National Labor Relations Board, as well as in the methods and policies to be pursued and the functions which it is to perform. There are now five members on the Board and there is a sharp division of duties between the General Counsel and the Board members. The former, who is now an independent officer chosen by the President with the advice and consent of the Senate, is clothed with authority "on behalf of the Board" to investigate charges, issue complaints, and prosecute charges before the Board, whereas the Board is the rule-making and deciding body.[13]

The activities of the original Board were confined to two general types: determining and certifying employees' collective bargaining agents, and preventing employers from engaging in unfair labor practices. The duties of the present Board are expanded with respect to both the determination of unfair labor practices and the holding of employee elections. While formerly it dealt only with five unfair labor practices of employers, it now must also deal with an additional six unfair labor practices forbidden to unions. Incident to these unfair labor practices the Board must determine, among other matters, when a union's initiation fees are excessive; whether or not an employee has been "coerced" to join or not to join a union; whether or not a discharged employee under a union-

[13] Of the many ambiguities in the Taft-Hartley Act, some of the most confusing are those pertaining to the relationship between the General Counsel and the Board members. Many Congressmen who originally favored giving the General Counsel independent status and broad powers, changed their minds after witnessing the results during the first years of operation of the new law.

shop contract who has been expelled from the union has been discharged for reasons other than for failure to pay dues; whether or not an employee has been discharged "for cause" so as to make him ineligible to receive back pay; whether or not a given group of employees are justified in refusing to pass a picket line.

In the certification of bargaining agent the Board must in all cases hold elections, whereas formerly it was permitted to certify a union on the basis of a check of membership cards when both parties agreed to such a procedure. (Formerly over 20 percent of all representation cases were settled through a consent card check.) The Board also has the duty of holding elections to determine whether or not a union shall be *decertified* at the close of a contract period whenever an employer or group of employees assert that the existing bargaining agent no longer represents a majority of the employees.

A number of other situations now call for the holding of elections by the NLRB. If a certified union seeks a union-shop contract, the Board must hold an election to find out if a majority of the employees voting are favorable; likewise if 30 percent of the employees under a union-shop contract indicate a desire to have the union-shop contract annulled, the Board must hold an election. In the case of national emergency disputes, as explained more fully in the next chapter, the Board is called upon to take a vote within 15 days after the special board of inquiry has issued its final report, to determine whether or not a majority of employees want to accept the employer's final offer.

The most marked change in the character of the functions of the Board provided by the Taft-Hartley Act has to do with its responsibilities toward certain kinds of strike and boycott activities, and its power to seek injunctions. Jurisdictional disputes are now classified as an unfair labor practice and the Board is empowered to make determinations when the parties concerned are not able to reach mutually satisfactory settlements within 10 days after the filing of charges. In connection with jurisdictional disputes the Board may seek injunctive relief "in situations where such relief is appropriate." It is mandatory for the Board to seek injunctions in the case of secondary strikes and boycotts, strikes whose purpose is to force an employer to recognize an uncertified union or to recognize another union than one already certified, and strikes

to force an employer or self-employed person to join a labor or an employer organization.

The Board is empowered upon complaint to investigate charges of unfair labor practices, to hold formal public hearings, to issue subpoenas requesting the attendance and testimony of witnesses and the production of any written evidence, and to issue cease and desist orders from unfair labor practices. To secure compliance, the Board must petition the appropriate Circuit Court of Appeals and the court is authorized to grant such temporary relief or restraining order as it deems proper, and to make a decree enforcing, modifying, or setting aside the Board's order in whole or in part. In like manner, any person aggrieved by a final order of the Board may obtain a similar review by filing in the appropriate Court of Appeals a petition that the order be modified or set aside. All decisions of the Circuit Courts, of course, are subject to appeal to the United States Supreme Court.

STATE AGENCIES FOR SETTLING DISPUTES

State machinery for the adjustment of labor disputes antedates the Federal Conciliation Service; that in Massachusetts and New York for instance, has been functioning since 1886. The concern of most state governments with employer-employee relations, however, has fluctuated with the increase and decline of labor disputes, and in only a few states has there been any continuing consistent program for the prevention and settlement of strikes and lockouts. More generally, when there has been a sharp rise in union activity and workers have shown a disposition to make known their discontent and desires, the state government has hastily passed legislation in an attempt to meet the situation. During periods when there have been few disputes, such legislation has been all but forgotten. A number of cities from time to time have also established machinery for the adjustment of local disputes. These have met with indifferent success. Except in a large metropolitan center like New York, parties to a dispute usually prefer to have some one from a "higher" and more distant office come to their assistance.

There is a great deal of variation among the existing state mediation agencies in mechanical arrangements, legal powers, and the financial and moral support given them. The most common ar-

rangement is for the conciliation service to be a unit in the state labor department or industrial commission, the conciliators usually having other duties when not engaged in settling disputes. A number of states have tripartite boards appointed by the governor. While these may be permanent boards, in some instances the individual members serve only upon occasion and are paid on a per diem basis. In only a few of the more important industrial states are there full-time conciliation and arbitration boards. Several states have no permanent machinery but provide that the labor department or the governor shall appoint a conciliation committee as the occasion arises or when there is a particularly grave dispute.

Most generally the state agency intervenes only upon the request of one or both parties to the dispute, although a few of the laws specify that the agency shall on its own motion investigate disputes whenever "public interest is material." Some of the laws require that a minimum number of persons, usually ten, must be involved in a dispute before the state agency shall intervene. Others specify that there shall be state intervention only when asked by a designated number of private citizens, local government officials, the employer, or a majority of the employees involved in the dispute.

With the recent increase in union activity and industrial disputes, a number of states have enacted labor relations acts more or less similar to the federal law. The procedure in some states having such laws resembles the federal arrangement by sharply differentiating disputes arising over questions of union organization and recognition from those arising over questions of wages, hours, and working conditions. The former are handled by boards with quasi-judicial powers, while the latter come under the conciliation service. In other states which have labor relations laws there is no such distinction; the same agency attempts to settle all kinds of disputes. From the time of the Kansas experiment in 1920[14] until 1947 no state had attempted to compel parties to

[14] The Kansas Court of Industrial Relations functioned from 1920 to 1923. This court was given jurisdiction in disputes arising in the public utilities, coal, food, and clothing industries, wherein strikes were altogether prohibited. The three-man court appointed by the governor had power to fix wages and conditions of employment in these industries. Labor, particularly the Kansas district of the United Mine Workers, bitterly opposed the establishment of the court. Several of the union leaders were given jail sentences when they defied the anti-

arbitrate their disputes, but during the last few years several states have enacted legislation for compulsory arbitration in public utilities industries (see chap. 25).

By and large, no state compels the parties to any dispute to accept the recommendations of its conciliation agency unless they have agreed beforehand to abide by its determinations. In some instances, a degree of pressure is exerted by permitting or requiring the board to publish a written report with recommendations. A few laws specify that if conciliation fails and the parties refuse to arbitrate, the state agency shall request a sworn statement from each party regarding the facts in dispute and their reasons for not arbitrating, the statement to be for public use. Several state laws go still further by providing that the state board shall prepare and publish its findings, and place the blame by designating which party is mainly responsible for the existence and continuance of the dispute. Such provisions for bringing the pressure of public opinion upon the situation are as far as most of the existing state laws have gone to compel acceptance of the recommendations made by their conciliation agencies.

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strike clause of the Act by calling a number of strikes. Some employers also refused to put into effect its wage and hour decisions. The United States Supreme Court sustained these employers, holding that the fixing of wages and hours, rules and regulations by such an agency was contrary to the due process clause of the Fourteenth Amendment in that it "curtailed the right of the employer, on the one hand, and of the employee, on the other, to contract about his affairs." Before even the first of the Supreme Court decisions was rendered, the Industrial Relations Court had practically ceased to function, because of the increasing opposition and indifference of employers, workers, and public. In 1925 it was abolished.

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CHAPTER 24

LEGAL FOUNDATIONS OF COLLECTIVE BARGAINING

COLLECTIVE BARGAINING BY DEFINITION SIGNIFIES THAT THE TERMS and conditions of employment are negotiated through combinations of workers. Inextricable from the law of collective bargaining, therefore, are the laws pertaining to labor unions and their activities. Legislation which protects or restricts labor organization activities include not only laws which are specifically directed toward unions, but also general laws which are applicable alike to members of unions and all other persons.

The legal keystone of employer-union relations in this country is the same basic civil rights of freedom of speech and assembly, prohibition against involuntary servitude, and protection of life, liberty, and property, that are provided in our Constitution for all our citizens. Similarly, unions and their members are subject to the same regulatory laws pertaining to conspiracy, sedition, violence, racketeering, and other criminal acts which apply to all other citizens.

The legal history of labor unions can be divided into three distinct periods: the 130 years during which organized labor was given few protections but suffered under many judicial restrictions and severe penalties; the 15-year period beginning in 1932 when laws were enacted which clearly defined and encouraged the right of collective bargaining and protected unions against employer discrimination and antiunion activities; the period beginning with the passage of the 1947 Labor Management Relations Act which, although turning the legal scales from encouragement to control and restrictions upon many kinds of union activities, nevertheless continued to provide legal sanction for the principle of collective bargaining.

IMPORTANCE OF JUDICIAL DECISIONS

For many years organized labor was guided solely by the judicial interpretation and application of the protections and regulations prescribed in the constitution and statutes covering all citizens. During recent years, in recognition of the peculiar needs and position of wage earners in the modern industrial economy, the federal government and most of the states have enacted laws which pertain particularly to collective bargaining and labor organizations.

When applied to specific employer-union situations, both the general and the specific labor laws are subject to varying interpretations, and judicial decisions through the years have shown little unanimity or consistency of opinion. The higher courts have differed from the lower courts in interpreting the same case, and many important cases have been finally decided by a close margin in a given court. Moreover, like all other human institutions, law is dynamic and not fixed for an indefinite period of time. New legislation is enacted and interpretations of existing laws are revised with the changing times, in response to public opinion or shifts in the court personnel.

Because of these varying and ever-changing decisions by the judicial and administrative agencies throughout the land, as well as the great variety of laws on the statute books of the various states, it is impossible in this brief summary to give a definitive statement of the present law of collective bargaining and related activities. The best that can be done is to indicate some of the broad principles and the major federal statutes and opinions of the United States Supreme Court, with incidental reference to particular state laws and state court decisions.

To understand the present legal status of unions and collective bargaining it is necessary to review briefly the developing concepts as represented in the court decisions throughout the years when common law controlled employer-union relations. Although some of these earlier decisions have been superseded by statutory laws, many of them represent the latest word on particular issues and may assume importance whenever the appropriate occasion arises, even though they may seem to be dormant at a given time. Furthermore, the recently enacted statutory laws can be understood

and appreciated only in the light of the common law which preceded them.

THE DOCTRINE OF CONSPIRACY

American law on collective bargaining and union activities developed out of the earlier English common and statutory laws, which held that the mere existence of combinations of workers was a conspiracy and therefore illegal. During the 18th century, Parliament enacted a series of statutes which forbade various groups of workers to enter into combinations to raise their wages or lessen their hours, and condemned offenders "to hard labour or the common gaol without bail or mainprize." The British court attitude at that time was typified by a statement in connection with the conviction of some tailors who had attempted to raise their wages by concerted action: "The illegal combination is the gist of the offense, persons in possession of any articles of trade may sell them at such prices as they may individually please, but if they confederate and agree not to sell them under certain prices, it is a conspiracy; so every man may work at what price he pleases, but a combination not to work under certain prices is an indictable offense."[1]

The essence of the conspiracy doctrine is that a number of persons acting in concert or combination possess powers to do wrong which an individual does not possess; in other words, an act which is lawful for an individual may not be lawful if done by a number of persons acting together. There is also a crime of conspiracy when a group have agreed to undertake a wrongful act even though they have not yet accomplished it. When applied to formal organi-

[1] *Rex* v. *Journeymen Tailors of Cambridge* (1721). The British Combination Acts of 1799 and 1800, which outlawed all concerted action by workers and employers, were essentially a confirmation of the British common law which was centuries old. These Combination Acts were repealed in 1824 but, following a wave of strikes during subsequent months, they were largely reëstablished in 1825. In 1867 the Old Masters and Servants Act was repealed. This Act provided that a master could be sued only civilly for breach of contract with an employee, whereas workmen could be proceeded against criminally and imprisoned. During the 1870's most of the British common law pertaining to trade unions was replaced by statute law. An Act of 1906 extended further legal protections to union activity. The 1927 Trade Unions Act, enacted after the 1926 general strike, imposed some restrictions upon union organizations and their activities, but this Act was repealed in 1946.

zations such as labor unions, the conspiracy doctrine was further extended to hold that if one or several persons in the combination do an illegal act, all the other members are equally responsible even though they had no knowledge of the act.

The first application of the conspiracy doctrine in this country was invoked in 1806 against some Philadelphia shoemakers,[2] who, according to the prosecution, ". . . did combine, conspire, confederate and unlawfully agree together that they . . . should not work and labor but at certain prices . . . to the damage, injury and prejudice of the masters employing them, . . . did agree that each and every one of them would prevent by threats, menaces and other unlawful means, other workmen from working and laboring. . . ." The defendants, on the other hand, maintained that ". . . if a single individual has the right to refuse to work for a certain wage, a number can unite for the same object. . . . That a menace is not indictable; that if any employer suffer inconvenience or mischief in consequence of his journeymen being seduced or driven from his employment he has his remedy by civil action in which he may recover damages . . . that since they did not use physical violence in preventing non-members from working, but only refused themselves to work for the same employer, this was not an offense or crime."

Action was brought under the English common-law doctrine of criminal conspiracy. At that time there was a great deal of contention as to whether any of the English common law should be extended to this country. The Jeffersonian Democrats were strongly opposed to it, but the Federalists, who controlled the courts, were favorably disposed toward English judicial precedent. Conviction followed the judge's charge to the jury, which stated: "A combination of workmen to raise their wages may be considered in a two-fold point of view; one is to benefit themselves . . . the other is to injure those who do not join their society. The rule of law condemns both. If the rule be clear we are bound to conform to it even though we do not comprehend the principles upon which it is founded. We are not to reject it because we do not see the reason of it."

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[2] Statements concerning these shoemakers' trials are taken from J. R. Commons, *Documentary History of American Industrial Society,* Arthur H. Clark Company, Cleveland, 1910, vols. iii, iv.

As a result of the influence of the Jeffersonians, the judiciary shifted its point of emphasis in a similar case a few years later when the court's charge to the jury said nothing about the illegality of combinations as such, but referred to the case as a "combination to secure increases in wages by *unlawful means*," defining the latter as anything of a "nature too arbitrary and coercive."

The famous *Commonwealth* v. *Hunt* decision in 1842 by the Massachusetts Supreme Court marked a definite departure from earlier and later expressions of the court. Chief Justice Shaw in this case recognized the area of conflict within which organized labor might strive to attain union objectives and even indicated that a strike for a closed shop is a lawful means to that end: "The manifest intention of this Association is to induce all those engaged in the same occupation to become members of it. Such a purpose is not unlawful. We think that associations may be entered into, the object of which is to adopt measures that may have a tendency to impoverish another, that is, to diminish his gains and profits, and yet, so far from being criminal or unlawful, the object may be highly meritorious and public spirited."

The *Commonwealth* v. *Hunt* decision was largely ignored as legal precedent by other judges, who continued for many years to consider as criminal conspiracies any combinations of workers to prevent others from accepting employment on any terms they might see fit. The effect of this doctrine was somewhat softened by several state laws enacted during the 1860's which legalized combinations of workers formed for the purpose of improving working conditions.

RESTRAINT OF TRADE DOCTRINE

Closely allied to the common-law concept of criminal conspiracy as applied to labor unions was the doctrine of restraint of trade. This doctrine was based on the philosophical premise of the natural right of every person to dispose of his own property and labor as he pleased, free from the dictation of others. As applied to employer-labor relations it meant that an employer had a right to buy his labor in the cheapest market and that each individual laborer was entitled to sell his labor on whatever terms he saw fit

to accept.[3] In most labor cases brought before the courts the decision rested upon what the particular court considered to be unlawful coercion by unions to obtain workers' participation in acts directed toward what they deemed to be "unreasonable" ends.

The common law of restraint of trade was reinforced by statute with the passage of the Sherman Anti-Trust Act in 1890 in response to popular demand for regulation of monopolies and "trusts." The Act states that "every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several states, or with foreign nations, is hereby declared to be illegal." Under the Act the courts were able to impose increasing restrictions on the activities of unions, largely through the legal identification of "trade" and "property" with "good will" and the right to do business. Under this concept, an employer had a right to unhampered access to the commodity and labor market and therefore legal protection against boycotts, picketing, and other acts of unions which might hinder him from selling his product or prevent him from getting new employees to take the place of strikers.

Early Court Decisions

At the time of its passage the Sherman Act was generally thought to have no application to labor unions, but some of the first cases decided by the courts under the Act had to do with labor disputes. It was invoked when Eugene Debs, leader of the American Railway Union, was sentenced to jail for conspiracy in restraint of interstate commerce for his leadership in the strike against the Pullman Company in 1894. In the *Danbury Hatters'* case in 1908 the court held the individual members of the union responsible to the full amount of their individual property for triple damages to the company because of the union's nation-wide boycott against the company.[4] In another case a few years later the Supreme Court held that a nation-wide boycott conducted through the American Federation of Labor against the Buck Stove and Range Company was in violation of the Sherman Act, and forbade the officers of the A.F.L. to speak or write anything in

[3] See chap. 25 for a discussion of this principle as applied to the union shop and the "right to work."

[4] *Loewe* v. *Lawlor,* 208 U. S. 274 (1908) and 235 U. S. 522 (1915).

furtherance of the boycott.[5] In essence, these decisions meant that even peaceful persuasion and peaceful assembly were illegal if they resulted in curtailment of trade and impairment of the "good will" of business.

Organized labor, construing these decisions as indicating that any union activity might be interpreted as illegal restraint of interstate trade, undertook a vigorous campaign to have unions exempted from the provisions of the Sherman Act. It thought it had won with the passage of the Clayton Act in 1914, which it optimistically hailed as "Labor's Magna Charta."

The Clayton Act declares that the "labor of a human being is not a commodity or article of commerce," and provides that the antitrust laws shall not be construed to forbid the existence of labor organizations or to restrain their members from carrying out the "legitimate objects" thereof, that no injunction shall prohibit the quitting of work, the refusal to patronize, peaceful picketing, or peaceful persuasion, whether these acts are done "singly or in concert." The Act further provides for a jury trial for persons accused of violating injunctions by acts indictable as criminal offenses.

In actual operation, the Clayton Act did not exempt labor from the antitrust law and the most important provisions of the Act were construed by the courts as having made no change in the law as previously interpreted. This was revealed in a number of important decisions made by the Supreme Court during the 1920's.[6]

Four cases dealt with boycotting and picketing. In the *Duplex Printing Co.* case the court held that the Machinists union's efforts to get printing companies not to buy Duplex presses was illegal because threats had been used and the aim was to injure the company. In the *American Steel Foundry* and the *Truax* cases the court held that more than one picket at each factory gate was unlawful because it constituted intimidation and violated the con-

[5] *Gompers* v. *Buck Stove and Range Company,* 221 U. S. 418 (1911).

[6] *Duplex Printing Company* v. *Deering,* 254 U. S. 349 (1921); *American Steel Foundries* v. *Tri-City Central Trades Council,* 257 U. S. 184 (1921); *Truax* v. *Corrigan,* 257 U. S. 312 (1921); *Coronado Coal and Coke Co.* v. *United Mine Workers,* 259 U. S. 344 (1922) and 268 U. S. 295 (1925); *United Mine Workers* v. *Red Jacket Coal & Coke Co.,* 18 Fed. (2nd) 839, certiorari denied, 275 U. S. 536 (1927); *Bedford Cut Stone Company* v. *Journeymen Stone Cutters' Association,* 274 U. S. 37 (1927).

stitutional guarantees of liberty and property, although the court explicitly said that the number of permissible pickets depends upon the circumstances of each particular case. The *Coronado and Red Jacket Coal* cases involved the application of the Sherman Act to strikes, and again brought up the question of the suability of unions. In these decisions the Supreme Court held that unions could be sued even though unincorporated, and that inasmuch as the union's actions against the companies were for the purpose of stopping production of nonunion coal and preventing its shipment into other states, they constituted illegal interference with interstate trade.

The *Bedford* case in 1927 had to do with the union's refusal to allow its members to work on nonunion material, and the court's decision was one of the most severe it had ever handed down. In this instance no boycott was attempted by the union against the firm's products; neither did the union picket nonunion men. The strike was confined to members of one national union, and the union's efforts were directed solely toward peacefully persuading its own members to abide by their union rule of not working on nonunion material. The Supreme Court held that this was a course of conduct which directly and substantially curtailed or threatened to curtail the natural flow of interstate commerce, and that even though the ultimate aim was a benefit to the union and no illegal tactics were used, the organization was guilty of conspiracy to restrain trade.

Judicial Interpretation Modified

During more recent years the Supreme Court has drastically restricted the application of the antitrust laws so far as union activities are concerned in two important decisions: In the *Apex* case in 1940[7] the court recognized that all combinations of work-

[7] 310 U. S. 469 (1940). The Apex Hosiery Company had maintained a nonunion shop. When the American Federation of Hosiery Workers were refused recognition they ordered a strike and Philadelphia members of the union seized the plant and locked the doors against the owners and employees for six weeks. The employer sued for triple damages under the Sherman Act and the District Court awarded judgment against the union officers and strikers in the sum of $712,000. The Circuit Court of Appeals reversed the decision on the grounds that the union had not intended to restrain interstate commerce, and the Supreme Court upheld this decision with regard to the application of the Sherman Act but condemned the stay-in strike and stated that the civil and penal laws

ers necessarily restrain competition since they curtail competition among employees and tend to eliminate wage differences. But they are not thereby unlawful. Nor are strikes which obstruct the shipment of goods across state lines in violation of the Sherman Act, even though they result in violence and destruction of property; the latter are punishable under state and local criminal laws but not under the Sherman Act. The only type of interference with interstate commerce which is outlawed by the Sherman Act is the suppression of competition by monopolizing a supply of goods, controlling its price, or discriminating between purchasers—in other words, interference with trade in a commercial sense where there is an actual or intended or direct effect upon prices and price competition.

In a later case involving a boycott and picketing in connection with a jurisdictional dispute, the Supreme Court emphasized its restricted concept of the applicability of the Sherman Act to union activity. In the *Hutcheson* case, the court held that activities which are not enjoinable under the Clayton and the Norris-LaGuardia Acts are not subject to the Sherman Act. In holding that peaceful picketing and boycotting cannot be enjoined or prosecuted, even though the immediate issue is a jurisdictional dispute in which the employer is not directly involved, the court stated, ". . . whether trade union conduct constitutes a violation of the Sherman Law is to be determined only by reading the Sherman Act and Sec. 20 of the Clayton Act and the Norris-LaGuardia Act as a harmonizing text of outlawry of labor conduct. . . . So long as a union acts in its self-interest and does not combine with nonlabor groups, the licit and the illicit (under Sec. 20 of the Clayton Act) are not to be distinguished by any judgment regarding the wisdom or unwisdom, the rightness or wrongness, the selfishness or unselfishness of the end of which the particular union activities are the means."[8]

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of the state had been violated. Some months after this decision the company recognized and signed an agreement with the union and the damage suit was settled out of court.

[8] 312 U. S. 219 (1941). In this case the Brotherhood of Carpenters had engaged in picketing and boycotting a brewery in an effort to compel it to hire carpenters instead of machinists to erect some mechinery. The Supreme Court in effect sustained the carpenters in their historical jurisdictional fight with the machinists, and this decision had a bearing on the withdrawal of the Machinists union from the A.F.L.

While the above decisions allow unions wide latitude when acting unilaterally for their own interests, unions are nevertheless subject to the Anti-Trust Act when acting in concert with employers to create business monopolies and to control the marketing of goods and services. In the *Allen Bradley* case the Supreme Court held that the union as well as the employers had violated the Sherman Act when they banded together to monopolize the entire New York City market for electrical goods by boycotting out-of-city and nonunion products. The court stated that an employer and a union may lawfully agree that the employer will not buy goods manufactured by companies which did not employ the members of the union; nevertheless, they may not become "copartners" to destroy competition even though the union action is for the purpose of furthering the interests of the union members.[9]

The principle that joint action by an employer and a union to control the marketing of goods constitutes restraint of trade was reaffirmed in a case appealed to the Supreme Court in 1949 when the Court held that a drivers' union had no right to picket an ice company for the purpose of forcing it not to sell ice to nonunion peddlers. The Court confirmed the charge of the company that the purpose of the picketing was to make the company violate a Missouri law prohibiting combinations in restraint of trade.[10]

RIGHTS OF LIBERTY AND PROPERTY DOCTRINE

The Fourteenth Amendment to the Constitution provides: "No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty or property, without due process of law, nor deny any person within its jurisdiction the equal protection of the laws."[11] Two fundamental concepts have

[9] *Allen Bradley Co.* v. *Local #3, Brotherhood of Electrical Workers,* 325 U. S. 797 (1944).

[10] *Joseph Giboney, et al.,* v. *Empire Storage and Ice Company,* 182 U. S. (April 4, 1949).

[11] The Fourteenth Amendment was adopted in 1868 to protect the rights of the freed Negroes. Its use by the courts in labor cases is an outstanding illustration of a diversion of the original purpose of statutory law; for fifty years it was used by the courts against union activities and the general improvement of working conditions, as already indicated in chaps. 15 and 17.

traditionally influenced the courts when applying this amendment to employer-labor disputes. First, the right to engage in business is property, and employers therefore should be guaranteed protection against abuse not only of their physical property but also of their "good will" and their means of carrying on business. Second, workers and employers must be treated with formal "equality" by the law; as long as the worker is free to quit for any or no reason the employer must be free not to hire him or to fire him for any or no reason. Such a concept, of course, completely ignores the basic economic inequality between employers and workers, and considers a large corporation (which is a combination of capital) to have the same status as an independent owner-employer.

The right to hire and fire at will provides one of the most direct methods of combating labor unions and collective bargaining. It permits the use of employer black lists, "yellow-dog" contracts, discriminatory discharges, and the hiring of strikebreakers. In recognition of the essential injustice accruing from such unrestrained powers, many states early enacted laws making it a criminal offense for employers to dismiss employees or discriminate against prospective employees because of union membership or activity. Almost uniformly these state laws were held unconstitutional by the courts prior to the enactment of federal legislation in 1932.

The first important case involving the constitutional right of an employer to dismiss an employee for any reason whatsoever, including union affiliation, was directed against the federal Erdman Act of 1898, which forbade discriminatory discharge of railroad employees. In the *Adair* decision, the Supreme Court said:

> While . . . the rights of liberty and property guaranteed by the Constitution against deprivation without due process of law, is subject to such reasonable restraints as the common good or the general welfare may require, it is not within the functions of government—at least in the absence of contract between the parties—to compel any person in the course of his business and against his will to accept or retain the personal services of another, or to compel any person against his will, to perform personal services for another. The right of a person to sell his labor upon such terms as he deems proper is, in its essence, the same as the right of the purchaser of labor to prescribe the conditions upon which he will accept such labor from the person offering to sell

it. So the right of the employee to quit the service of the employer, for whatever reason, is the same as the right of the employer, for whatever reason, to dispense with the services of such employee. . . . In all such particulars the employer and the employee have equality of right, and any legislation that disturbs that equality is an arbitrary interference with the liberty of contract which no government can legally justify in a free land."[12]

"Yellow-Dog Contracts"

Outstanding as a device to prevent unionism and obstruct collective bargaining has been the "yellow-dog" contract. Although varied in form, such a contract in substance obligates the employee not to join a union or engage in strikes or other union activities. In turn the employer gives the worker employment either for a definite period of time or at will. In 1915 the Supreme Court held that a state statute which forbade the use of yellow-dog contracts was unconstitutional, when, in the *Coppage* v. *Kansas* case, it stated: "Under constitutional freedom of contract, whatever either party has the right to treat as sufficient ground for terminating employment, where there is no stipulation on the subject, he has the right to provide against by insisting that a stipulation respecting it shall be the sine qua non of the inception of the employment, or its continuance if it be terminable at will. It follows that this case cannot be distinguished from *Adair* v. *United States*."[13]

In practice, the yellow-dog contract operates most effectively as a bar to unionization when the injunction is utilized to protect it from threatened breach. The use of the injunction for this purpose was brought to the attention of the Supreme Court when the United Mine Workers of America attempted to unionize the nonunion coal-mining area in the West Virginia Panhandle where employees had signed such contracts. In this case, *Hitchman Coal & Coke Company* v. *Mitchell*,[14] the Supreme Court enjoined the or-

[12] *Adair* v. *United States*, 208 U. S. 161 (1908).

[13] *Coppage* v. *Kansas*, 236 U. S. 1 (1915). In this instance a railway employee was discharged for refusing to sign a pledge to withdraw from the Switchmen's Union when withdrawal meant a sacrifice of insurance benefits to the amount of $1500. On the basis of this and other evidence, the Kansas Supreme Court held the exaction of the pledge to be coercion, but the United States Supreme Court reversed the decision of the Kansas court.

[14] 245 U. S. 229 (1917).

ganizers from soliciting membership. The injunction was based upon the well-established doctrine that action will lie against the person who persuades either party to a contract to breach it. The Hitchman case was the first important application of this doctrine to the antiunion contract.

It was not until 1932 that labor unions were freed from the fetters of the yellow-dog contract. The Norris-LaGuardia Act made unenforceable in federal courts individual contracts in which the employee promises not to join any labor organization and also relieved officers and unions of liability for unlawful acts of its members. Subsequently a number of states enacted similar legislation to cover state courts.

"GOVERNMENT BY INJUNCTION"

Concomitant with the legal identity of *business* with *property* was the use of injunctions in labor disputes. Injunctions were sought by employers primarily to protect their rights to do business, in other words, to prevent obstruction of the sale of their goods and of their access to the labor market. The police and criminal laws provide protection against damage to physical property and violence in labor disputes, but employers sought injunctions to restrain workers from engaging in boycotts, picketing, and other acts which interfered with business operations, even though such acts were unattended by violence or damage to physical property.

Theory of Injunctions

The use of injunctions in labor disputes can best be understood by reference to the principles of equity which are supposed to govern the courts in issuing them. Injunctions[15] are orders issued by judges commanding individuals to do or to refrain from doing certain acts. Violation of an injunction constitutes contempt of court, and the judge who grants the injunction has the power and discretion to fine or imprison anyone who violates it. Injunctive relief is supposed to be an extraordinary measure to be used only

[15] The injunction originated centuries ago in the British Courts of Chancery. Unlike the experience in the United States, the use of injunctions in labor disputes has been very infrequent in England.

when there is "inadequate remedy at law," that is, when civil action for damages will not provide full redress either because of the defendant's financial inability to make restitution, or because damage is threatened which is irreparable owing to the nature of the thing harmed. A basic principle of equity is that anyone who seeks injunctive relief must come into court "with clean hands"; that is, he must himself be guiltless of unlawful conduct in connection with the dispute. Another principle is that an injunction should not be granted if it would result in greater loss to the defendant than to the complainant. As originally used, injunctions were served individually and were not binding upon anyone who did not receive a notice.

Distortion of Principles of Equity

The traditional principles guiding the issuance of injunctions were radically changed by the courts when applied to labor disputes. The majority[16] were granted with no notice to those against whom they were directed, and no hearing at which labor's side of the case could be presented and evidence shown as to whether the employer came before the court "with clean hands." The employers' mere statements were accepted as sufficient, without substantiating proof; and the employers' applications frequently included every possible restriction upon workers' activities that they believed could be of advantage to them. Employers were not required to post bonds or forfeits, and injunctions were granted on trivial pretexts, with no consideration as to the relative losses which they might cause the complainant and the defendant. Furthermore, they were not always limited to the short period of the strike or lockout; injunctions were sometimes issued which *permanently* restrained unions and workers from engaging in activities that otherwise would have been lawful.

Some injunctions were worded in general and vague terms so

[16] A study of 118 applications for injunctions presented to federal courts between 1901 and 1928 found that seventy of them were *ex parte,* and in only twelve cases did employers bring records or witnesses to substantiate their statements. See Felix Frankfurter and Nathan Greene, *The Labor Injunction,* The Macmillan Company, New York, 1930; Cleon O. Swayzee, *Contempt of Court in Labor Injunction Cases,* Columbia University Press, New York, 1935; E. E. Witte, "Injunctions in Labor Disputes in the United States," *International Labour Review,* March, 1930.

that the workers could not know in advance whether or not they were violating some of its provisions. This is especially serious when one realizes that violation of injunctions entails risks not present under civil and criminal law. Instead of trial by jury with an opportunity to secure change of venue if desired, a violator of an injunction is tried and punished by the same judge who issued the injunction. In many labor injunctions, the evidence was in the form of affidavits, with no witnesses appearing to support the charges, and the accused was not furnished counsel or given the opportunity of listening to evidence presented by the accusers.

Probably the greatest travesty of equal rights before the law resulted from the blanket labor injunctions which prohibited lawful as well as unlawful acts and restrained not only the actual defendants but also "all persons combining and conspiring with them and all other persons whomsoever." This was the coverage in the famous *Debs* case[17] in 1895, which provided the pattern for numerous injunctions thereafter. In the Railroad Shopmen's strike in 1922 injunctions restrained many specified individuals "and all their attorneys, servants, agents, associates, members, employers and all persons acting in aid or in conjunction with them." Persons were forbidden "in any manner by letters . . . word of mouth, oral persuasion, or suggestion, or through interviews to be published in newspapers or otherwise in any manner whatsoever, encourage, direct or command any person . . . to abandon the employment of said railway companies . . . or to refrain from entering the service of said railway companies. . . ."[18]

"Government by injunction," as it was referred to by labor, prevailed for almost fifty years.[19] During this time organized labor made relief from injunctions its foremost legislative demand. It

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[17] 158 U. S. 564. The occasion was a strike of the American Railway Union against the Pullman Company, which was held to be a conspiracy in restraint of trade and a menace to the public welfare.

[18] 283 Fed. 479 (1922); Final, 290 Fed. 978 (1923).

[19] The use of injunctions in the United States began in the 1880's, but almost half of the total number were issued between 1920 and 1930. The exact number which were sought for and issued is not known, but one of the leading authorities reports knowledge of over 2000. Of these, approximately 75 percent were in state courts and 25 percent in federal courts. State courts granted 88 percent and denied 12 percent which were applied for, and the federal courts granted 94 percent of all applications. (E. E. Witte, *The Government in Labor Disputes,* McGraw-Hill Book Cmpany, Inc., New York, 1932, p. 84.)

thought that Section 20 of the Clayton Act afforded such relief, and in the *American Foundries* case in 1921 Chief Justice Taft stated that it was "clear that Congress wished to forbid the use by the Federal courts of their equity arm to prevent peaceable persuasion by employees, discharged or expectant, in promotion of their side of the dispute, and to secure them against judicial restraint in obtaining or communicating information in any place where they might lawfully be." In the *Truax* v. *Corrigan* case decided a week later, however, he delivered another opinion in which a provision in the state statute similar to that in the Clayton Act was declared unconstitutional because the state's supreme court had interpreted its law to legalize picketing in any form, provided violence was not used.

Following this decision the use of injunctions increased (more than a thousand were issued by state and federal courts during the ensuing decade), and labor and friends of labor sought congressional action. Bills were introduced annually, and finally in 1932 a federal anti-injunction act passed Congress and was signed by President Hoover. By this time twelve states had already enacted laws regulating the issuance of injunctions but they had proved notoriously ineffective because of the courts' interpretations.

Norris-LaGuardia Anti-Injunction Act

Collective bargaining for workers generally[20] received its first substantial protection and encouragement from federal legislation with the passage of the Norris-LaGuardia Act in 1932. The Act declared the workers' right to self-organization and collective bar-

[20] Six years previous to the Norris-LaGuardia Act, the railroad workers had been given legal protection against interference in their self-organization. The 1926 Railroad Act forbade "interference, influence, or coercion exercised by either employers or employees over the self-organization or designation of representatives by the other," and it was under this law that the first important judicial decision as to the legal status of company unions arose.

In a wage dispute between the Texas and New Orleans Railroad Company and the Brotherhood of Railway Clerks, the union claimed that the company created a company union by compelling its employees through intimidation to join that organization. The Supreme Court found the company guilty and affirmed the constitutional validity of congressional action granting railroad workers the right to be free from interference in organization and in designating representatives for collective bargaining. (281 U. S. 548, 1930.)

gaining to be the public policy of the United States by these significant statements:

> Whereas under prevailing economic conditions, developed with the aid of governmental authority for owners of property to organize in the corporate and other forms of ownership association, the individual unorganized worker is commonly helpless to exercise actual liberty of contract and to protect his freedom of labor, and thereby to obtain acceptable terms and conditions of employment, wherefore, though he should be free to decline to associate with his fellows, it is necessary that he have full freedom of association, self-organization, and designation of representatives of his own choosing, to negotiate the terms and conditions of his employment, and that he shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining, or other mutual aid or protection. . . .

The formal title of the law is the Federal Anti-Injunction Act, although its provisions extend beyond the regulation of the issuance of injunctions. The Act provided, among other things, that United States courts could not issue injunctions against the normal and peaceful activities connected with industrial disputes and that injunctions could be granted only after open hearings. Because of its broad definition of "labor dispute" the limitations on injunctions covered secondary as well as primary strikes and boycotts. The Act defined labor dispute to include any controversy concerning terms and conditions of employment, or concerning the representation of persons in negotiating terms of employment "regardless of whether or not the disputants stand in the proximate relation of employer and employee"; a person is "participating or interested in a labor dispute" if he "is engaged in the same industry, trade, craft or occupations, in which the dispute occurs, or has a direct or indirect interest therein, or is a member, officer or agent of any association composed in whole or in part of employers or employees engaged in such industry, trade, craft or occupation."

Injunction Provisions in the Taft-Hartley Act

Organized labor's hope and expectation that the protections afforded by the 1932 law were permanent received a severe blow

with the passage of the 1947 Labor Management Relations Act. No provisions of this law have caused labor greater alarm than have its provisions for the granting of injunctions, and labor's apprehensions about a return to pre-1932 conditions have not been allayed by the numerous injunctions sought and obtained since the passage of the Act.

The Taft-Hartley Act specifically sets aside the anti-injunction provisions of the 1932 law by permitting the National Labor Relations Board to seek restraining orders from the federal courts in any unfair labor practice as defined in the Act. Furthermore, it makes it *mandatory* for the Board's attorneys to obtain injunctions in four types of "unfair practices" (those listed as items 4a through 4d on page 657). These injunctions are obtained before formal hearings can be held and whenever the attorney "has reasonable cause to believe" such practices have been committed.

All injunctions granted attorneys of the Board are for the purpose of interim relief, that is, effective until the Board itself renders its final decision. But it takes many months for the Board to process a case. The result is, if the Board's final decision reverses that of the attorney, the temporary injunction has been tantamount to suppression of a lawful act. Because of the nature of labor disputes, that is their short time duration, the injunction which is supposed to *prevent* irreparable injury may actually *cause* such injury.[21]

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[21] Two cases illustrate this point:

In September, 1948, the Board's attorney obtained an injunction against seven building trades locals to restrain their members from quitting work on a job on which one of the subcontractor's employees were not members of the unions. In July, 1949, the Board unanimously threw out the secondary boycott charges on the grounds that it was a local dispute which did not affect interstate commerce. Long before the Board's decision was handed down, ten months after the injunction was granted, the construction job was completed. (*Petredis and Fryer* v. *Pittsburgh Building Trades Council,* July 23, 1949.)

In another case the Board gave a union a clear right to engage in picketing which had been stopped for nearly a year by a "temporary" injunction. In this case some production workers were on strike for higher wages against a company which was building an addition to the plant. The construction workers refused to go through their picket lines and the Board's attorney obtained an injunction to forbid picketing at the gate where the construction work was underway on the grounds that this was a secondary boycott. The picketing, as well as the strike, was thereupon abandoned. Almost 12 months later the Board's decision was handed down which said that the picketing was primary,

The provision for mandatory injunctions against secondary strikes and boycotts not only marks a complete reversal of the protections provided by the 1932 anti-injunction law but makes illegal practices which unions have always engaged in when they have deemed such action necessary for self-protection. Prior to 1932 unions frequently found themselves in trouble because of such activities, as is illustrated by the famous *Danbury Hatters* and *Duplex Printing* cases. There was always a *possibility* that injunctions might be sought and fines imposed, but the 1947 law makes it *mandatory* that injunctions be sought and specifically encourages suits for damages.

There are some regulations placed upon the courts which did not exist during the heyday of labor injunctions in the 1920's. When the Board petitions for injunctive relief the courts are authorized to grant temporary restraining orders only, and then only after notice to the person involved and after both parties have had an opportunity to appear by counsel and present their testimony. However, an exception to this procedure is allowed, in that if the petition alleges that substantial and irreparable injury will be unavoidable, a restraining order may be issued immediately, but such an order is effective for no longer than five days.

In one kind of situation—when a union or union representative is demanding that the employer make payments in violation of Section 302—an employer may go directly to the court for injunctive relief. This section prohibits any "shake-down" of employers by employee representatives, disallows checkoff of union dues except upon individual authorization of employees, and prohibits employer payments toward health and welfare programs unless such programs are administered according to specified conditions.

ESPIONAGE AND ANTISTRIKEBREAKING LEGISLATION

Among the more unsavory practices which employers have resorted to in their efforts to combat union organization has been

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therefore legal, and not secondary since it took place on the same premises of the employer against whom the workers were striking. (*Ryan Construction Corp.* v. *Local 813 United Electrical Workers*, Aug. 4, 1949.)

the use of spies and professional strikebreakers,[22] and these activities have had important repercussions upon the attitude and behavior of workers and unions.

Industrial espionage was widespread in American industry for many years, and many "reputable" employers who boasted about the "one big family" relationship in their plants apparently saw nothing incongruous in the presence of company spies. Some large companies hired their spies directly, and in some plants the so-called labor relations director was actually the head of the company's espionage system. Most employers used outside services; one of the major functions of some employers' associations was the furnishing of spies and strikebreakers to their members, and a number of detective agencies maintained "industrial departments" which provided spy service to employers on a contract basis, including inside operatives, guards, strikebreakers, and "missionaries" to visit the homes of strikers and further "back-to-work" movements.[23]

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[22] The distinction between a professional strikebreaker and what is commonly called a scab should be kept in mind. The latter refers to a nonunion employee who continues to work for an employer whom the union has designated as "unfair," or who accepts employment during a labor dispute with the intention of remaining as a permanent employee. A professional strikebreaker is an outsider who has no intention of becoming a permanent employee and usually is not competent to perform the job; his purpose is to fill the job only during the labor dispute.

For authentic information about the use of spies and strikebreakers, see the Reports of the Senate Committee on Education and Labor (LaFollette Committee), 74th, 75th, and 76th Congresses, pursuant to S. Res. 266 (74th Congress), which are incorporated in twelve reports published by the Government Printing Office. Some of the titles are *Labor Policies of Employers' Associations, Industrial Espionage, Strikebreaking Services, Private Police Systems, Report on the Chicago Memorial Day Incident.*

See also Sidney Howard, *The Labor Spy* (1924); Leo Huberman, *The Labor Spy Racket* (1937); Jean E. Spielman, *The Stool Pigeon* (1923); Edward Levinson, *I Break Strikes* (1935); Clinch Calkins, *Spy Overhead, the Story of Industrial Espionage* (1937); C. E. Bonnett, *Employers' Associations in the United States* (1922).

[23] One of the earliest occasions when a private detective agency was used in industrial disputes was during the Homestead, Pennsylvania, strike in 1892, when several hundred guards supplied by the Pinkerton Agency participated in riots in which scores of strikers were killed and injured. The use of private detective agencies for industrial espionage became widespread during the First World War and the 1920's; many companies had continuing contracts with detective agencies to furnish inside operatives, even though no strikes were threatened in their plants. Their duties are described as follows:

Much of the violence which has accompanied strikes and picketing has been caused by the presence of professional strikebreakers who sometimes were instructed to "stir up trouble" in order to create a situation which would make it easy for the employer to get an injunction to forbid picketing. Even if they were not under specific instructions to foment violence, the character of the men employed to do such work made it inevitable that violence would occur.

Largely as the result of pressure from organized labor, a number of states have enacted legislation requiring detective agencies, and in some cases the individual operatives, to be licensed. Pennsylvania enacted a law in 1937 which makes it a misdemeanor for any person, firm, or corporation "not directly involved in a labor dispute or lockout" to recruit any persons to take the place of employees in an industry where a strike or lockout is in effect. Utah requires every person to register with the State Industrial Commission before starting work for an employer whose employees are on strike.[24] A New York law enacted in 1938 makes it unlawful for a detective agency to furnish strikebreakers and strike guards or to engage in industrial espionage.

In 1936 the federal government took action to control the use of strikebreakers when it enacted a law, strengthened by an amendment in 1938, which makes it a felony for any person "to transport or cause to be transported in interstate or foreign commerce

"The inside operatives carry on the work of industrial espionage while working for the client employer under assumed names as ordinary mechanics or workmen. . . . They do their daily work and draw pay checks like other workmen, and their fellow employees and immediate superiors—often the superintendents themselves—have no inkling that they are spies. But every day they make a report to the detective agency, and this agency in turn reports to the employer. Practically never do the operatives report directly, the roundabout method of reporting being represented to the employer as necessary to preserve secrecy, but it is no doubt primarily resorted to to enable the home office to make the employer think that he is getting a valuable service . . . it is an almost invariable practice of the inside operatives to join the union. The great detective agencies seem to have membership cards in all unions. . . . The spies attend all union meetings and take an active part in all union affairs . . . they create strife within the union, arouse racial hatreds, and spread suspicion." (E. E. Witte, *The Goverment in Labor Disputes,* pp. 185–186.)

[24] As required by the Wagner-Peyser Act, the U. S. Employment Service does not refer an applicant to a position involving a strike or lockout without first notifying him verbally and in writing of the existence and nature of the dispute.

any person who is employed or is to be employed for the purpose of obstructing or interfering by force or threats with (1) peaceful picketing by employees during any labor controversy affecting wages, hours, or conditions of labor; or (2) the exercise by employees of any of the rights of self-organization and collective bargaining."

This act goes no further than to forbid the importation of strikebreakers across state lines. At the present time there is no federal legislation outlawing industrial spies or private armed guards, although bills to that effect have been introduced into Congress. As a result of the sensational exposures at the LaFollette Committee hearings in 1937, most of the large private detective agencies announced that they were discontinuing their "industrial departments," and there is no doubt that the practice of industrial espionage has greatly lessened although there has been evidence of the use of armed strikebreakers in at least a few industrial disputes within very recent years.

THE NATIONAL LABOR RELATIONS ACT

It was the 1935 National Labor Relations Act, validated by the Supreme Court in April, 1937[25] which marked the legal turning point in labor-management relations.[26] Based on the premise that inequality of bargaining power existed when workers were not organized and that such inequality was detrimental to the economic well-being, the Act not only declared the right of workers to organize but provided specific protections and encouragement to collective bargaining. The Act declared that "employees shall have the right to self-organization, to form, join, or assist labor

[25] The *Jones & Laughlin Steel Corp.* v. *NLRB* (April 12, 1937) was the first of a series of Supreme Court decisions which finally determined the constitutionality of various sections of the National Labor Relations Act.

[26] The first legislative protection for collective bargaining under the New Deal was incorporated in Section 7a of the National Industrial Recovery Act which required that each code of fair competition contain the provision that "employees shall have the right to organize and to bargain collectively through representatives of their own choosing, and shall be free from interference, restraint, or coercion of employers, . . . in the designation of such representatives. . . ." This wording was sufficiently vague and general, however, to permit company unions to thrive as much as bona fide labor unions. Nevertheless, the experience under the NIRA facilitated the enactment of more adequate legislation.

organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities, for the purpose of collective bargaining or other mutual aid or protection."

To protect these rights, five enumerated unfair labor practices were forbidden by employers:

They must not interfere with, restrain, or coerce employees in the exercise of their right to self-organization, to form, or join labor organizations, to bargain collectively through representatives of their own choosing.

They must not dominate or interfere with the formation or administration of any labor organization or contribute to the financial or other support of it.

They must not discriminate in hiring, discharge, or any condition of employment to encourage or discourage membership in any labor organization, but they may require union membership under closed-shop agreements signed with unions selected by majority vote.

They must not discharge or otherwise discriminate against employees who file charges or give testimony under the Act.

They must not refuse to bargain collectively with representatives of employees designated in accordance with the Act.

The Act provided for a nonpartisan board whose duties were twofold: (1) to aid in the free selection of employee representative agencies by holding elections or otherwise determining the choice of the majority of the workers in an appropriate bargaining unit; and (2) to prevent unfair labor practices and to see that employers bargain "in good faith," once the representative agency has been determined.

The theoretical right and the principle of collective bargaining became firmly established during the twelve years the NLRA was in force, but employers and sections of the general public were not reconciled to many of its implications and concrete effects. They argued that the NLRA had tipped the scales too far in favor of labor and that changes in the law were necessary "to restore equality" between labor and management. The outcome of this bitterly fought struggle between organized employers and organized labor was the Labor-Management Relations Act of 1947 which was enacted over the veto of President Truman by a Republican controlled Congress.

THE LABOR-MANAGEMENT RELATIONS ACT OF 1947

The Labor-Management Relations Act, more commonly referred to as the Taft-Hartley Act, states that its purpose and policy is "to prescribe the legitimate rights of both employees and employers in their relations affecting commerce, to provide orderly and peaceful procedures for preventing the interference by either with the legitimate rights of the other, to protect the rights of individual employees in their relations with labor organizations whose activities affect commerce, to define and prescribe practices on the part of labor and management which affect commerce and are inimical to the general welfare, and to protect the rights of the public in connection with labor disputes affecting commerce."

"Equality of Bargaining Power"

The Taft-Hartley Act's declaration of rights of employees to organize and to bargain collectively and to engage in concerted activities for the purpose of collective bargaining is identical to that contained in the NLRA, with the one important addition, namely, that employees "shall also have the right to refrain from any or all such activities" except to the extent that an employee may be bound by a union-shop contract sanctioned by the law.

A declaration of rights has meaning, however, only in relation to what employers, unions, and employees are allowed or not allowed to do to implement the declared rights. The activities which they are not allowed are described and classified as "unfair labor practices" in Section 8 of the new Act. It is with respect to "unfair labor practices" that the Taft-Hartley Act differs most radically from the National Labor Relations Act. By adding qualifications to some of the practices previously disallowed employers, and by including an entirely new list of unfair labor practices for unions, the new law invokes an entirely new concept of "equality of bargaining power" from that upon which the NLRA was based.

The sponsors of the 1947 Act justify this change in focus on the ground that the earlier Act was one-sided in that it afforded "relief to employees and labor organizations for certain undesirable practices on the part of management" but denied "to manage-

ment any redress for equally undesirable actions on the part of labor organizations." Also that the government under previous laws and court decisions was "unable to cope with union practices that injure the national well-being" and that "such practices must be corrected if stable and orderly labor relations are to be achieved."[27]

Organized labor, on the other hand, contends that the "equality of bargaining power" of the Act is specious in that it does not take into account the inherent advantages that the employer has in the bargaining relationship which the NLRA was designed to rectify; that the unfair labor provisions as applied to unions serve to weaken the ability of unions to carry on many of their "natural" functions and thus, in effect, nullify their basic rights to promote union organization and collective bargaining. Moreover, in its injunctive provisions for the enforcement of unfair labor practices, the new law places unions in greater jeopardy, in some respects, than was the case before the passage of the Federal Anti-Injunction and the National Labor Relations Acts, when the legal status of unions was dependent upon common law and the vagaries of changing judicial attitudes.

Unfair Labor Practices for Employers

As far as unfair labor practices for employers are concerned, the Taft-Hartley Act differs from the NLRA in two major respects. The first listed unfair labor practice (the prohibition of employers from interfering with employees' right to organize, etc.) is qualified by the provision that "the expressing of any views, argument, or opinion, or the dissemination thereof, whether in written, printed, graphic, or visual form, shall not constitute or be evidence of an unfair labor practice. . . ." Although the Board previously had not interpreted the 1935 Act to mean that employers were forbidden to express opinions about unions, it had held that statements under certain circumstances were part of a pattern of antiunion conduct that, added together, might constitute interference or refusal to bargain.[28]

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[27] Senate Committee on Labor and Public Welfare, *Report No. 105,* April 17, 1947.

[28] On the basis of the "free-speech" clause in the Taft-Hartley Act the National Labor Relations Board in May, 1948, upheld an employer for expressing

The most important change in the listing of employer unfair labor practices, reinforced in the section dealing with unfair labor practices of labor organizations, has to do with the closed shop and the union shop. The permissive closed-shop provision in the NLRA is altogether revoked, and the section is rewritten in such a way as to permit a union-shop agreement only if the Board has certified, on the basis of an election, that a majority of employees in the bargaining unit favor such a contract.[29] The contract must allow new employees 30 days in which to become union members and an employee may not be discriminated against who was denied membership in the union on the same terms and conditions applicable to other persons, or who was expelled from the union for any reason other than nonpayment of dues.

Unfair Labor Practices for Unions

Six unfair labor practices for labor organizations are listed, in addition to that of attempting to cause an employer to violate the closed-shop ban and discriminate against nonunion employees. It is now unlawful for a labor organization or its agents:

1. To restrain or coerce employees from their right *not* to join a union.
2. To require an employer to deal through an employer association for purposes of collective bargaining.
3. To refuse to bargain in good faith, which includes the mandate to file a 60-day notice before the termination or proposed modification of an agreement; during this time no strikes are allowed and meetings with employers must be held at reasonable intervals to discuss the issues.
4. To engage in strikes and boycotts in order (a) to force an em-

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his views under circumstances which the Board in 1946 had declared to be in violation of the old labor relations act. In the 1948 case upheld by the Board, the employer, several days before an election was to be held for bargaining agent, had called his employees to meetings in the plant during working hours where company officials had expressed their opposition to the unions. (*Babcock & Wilcox Company* vs. *United Stone and Allied Products Workers, C.I.O.*, Augusta, Ga.)

[29] The requirement of a majority of those eligible to vote, instead of a majority of those voting, is unique in democratic voting procedures. As labor leaders have said: None of the Congressmen who actively sponsored the passage of the Taft-Hartley Act would have been sitting in Congress if there were similar requirements in political elections.

ployer or self-employed person to join a union or an employer association; (b) to require any employer to cease using, selling, or transporting the products of another producer, or doing business with any other person; (c) to require another employer to bargain with a labor organization which has not been certified by the Labor Board; (d) to require any employer to bargain with a union when another union has already been certified; (e) to force any employer to assign work to one particular union or craft rather than another, unless the employer is failing to comply with a Board certification.

5. To require persons working under union-shop contracts to pay initiation fees which the Labor Board considers "excessive or discriminatory."

6. To cause or attempt to cause an employer to pay an employee for services which are not performed or not to be performed, that is, so-called "featherbedding."

Bargaining Unit

The Taft-Hartley Act is more specific than the NLRA with regard to the determination of bargaining units for certification by the Labor Board. Like the earlier law it states that the Board shall decide in each case whether the unit shall be based on an employer, craft, plant, or subdivision thereof. However, it specifies that no unit may include both professional and nonprofessional employees unless a majority of the professional employees vote for inclusion in such a unit; no craft unit may be deemed inappropriate on the grounds that a different unit was established by prior Board order unless a majority of employees in the proposed craft unit vote against separate representation.

The new law deals specifically with certain groups not mentioned in the NLRA by specifying that no labor organization may be certified for plant guards if it admits to membership employees other than guards, or if it is affiliated with an organization that includes other employees. By inference, supervisors or foremen must also be excluded from a unit, since the Act relieves employers from the requirement of bargaining with supervisors.

Legality of Picketing

Picketing is the presence of one or more persons at the approach to a workplace during a labor dispute for the purpose of (1) informing the public and employees that a strike exists or that

the employer is on the union "unfair" list, (2) persuading workers to join or continue the strike or boycott, (3) preventing persons from entering or going to work. Secondary picketing refers to the picketing of an employer not directly involved in the labor dispute but connected through ownership or business dealings with the employer with whom the union is in dispute.

The right to picket stems from the constitutional right of free speech and assembly. Based on this right alone, all peaceful picketing would be lawful. But the inherent nature of picketing necessarily causes impingements upon the personal and property rights of others, and the courts are frequently called upon to weigh the relative rights of all the parties concerned, including the general public, and to decide whether or not picketing in a given situation should be restricted or prohibited altogether. Decisions of the various courts are not always consistent. It is probably true that in no other area of labor activity is there as much diversity of legal opinion and practice as there is with respect to picketing. Decisions of the United States Supreme Court shortly before the passage of the Taft-Hartley Act tended to hold that all peaceful picketing was a lawful expression of the right of free speech; that the merits of the dispute itself had no bearing upon the rights of workers to advertise their grievances through picketing although the government had the right to protect innocent third parties.[30]

The Taft-Hartley Act mentions picketing in only one instance, namely, when it specifically allows employees to refuse to pass through a picket line of employees of another employer who are engaged in a strike which has been authorized by a certified union.

[30] The Supreme Court has held that, if for physical reasons, it is impossible to picket those against whom there is a dispute, then picketing at the next logical place of business is permissible. In a case decided in 1942 New York bakery drivers started to picket bakeries which were selling their products to peddlers who in turn sold them to retailers. The union maintained that the peddlers, by working seven days a week for a small margin of "profit," were tearing down union standards and depriving union drivers of employment. The state courts issued an injunction against the picketing on the technical ground that no labor dispute existed between the drivers and the bakeries since employees of the bakeries were not involved in the dispute. The Supreme Court brushed aside this point and said the union had a right to publicize its difficulty with the peddlers by picketing; since it could not picket the peddlers directly because they moved around, the bakeries were a logical site for the picketing. *Bakery and Pastry Drivers* v. *Wohl,* 314 U. S. 704 (1942).

However, the Act inferentially circumscribes the right of peaceful picketing through its provisions outlawing secondary boycotts and strikes, and its proscription of the use of "restraint or coercion" with respect to specified unfair labor practices.

Thus the Act can be interpreted to prohibit picketing in connection with jurisdictional disputes, or in strikes when the object is to obtain a closed- or union-shop contract, to prevent nonunion workers from entering their workplaces, or to obtain a change in an existing agreement before the expiration of a 60-day notice period. Recent decisions of the Supreme Court and the National Labor Relations Board have been based on such an interpretation of the Act. In other words, the ends sought by picketing have been taken into consideration rather than holding that peaceful picketing *per se* is a form of free speech and assembly and therefore a constitutional right, regardless of purpose.

STATE LAWS AFFECTING UNIONS

In spite of the fact that the federal government has assumed jurisdiction over many phases of employer-labor relations, much remains in the hands of the state and local governments, and there is wide divergence among them as to the manner in which they exercise their authority in labor matters. Not only do the state laws vary, but on any single day numerous different opinions may be handed down by the various lower courts with respect to similar situations and points at law. Although ultimate decisions of validity rest with the Supreme Court, only a relatively few cases are ever processed through the judicial hierarchy, with the result that in a large number of employer-labor crises, state laws and lower court decisions are controlling.

Federal *versus* State Jurisdiction

During recent years when both the federal government and many of the states have enacted legislation pertaining to unions and to union-management relations, the question has frequently arisen as to which law or enforcement agency shall have jurisdiction of a particular labor dispute. The choice in the first instance is with the federal and state agencies concerned with the adminis-

tration of their respective laws. If either the employer or the union, or either the federal or the state agency, is dissatisfied with the choice it may refer the question of jurisdiction to the courts.

The constitutional basis for federal intervention in labor matters lies in their actual or potential influence upon interstate commerce, and all federal labor laws incorporate such introductory phrases as "affecting the free flow of commerce" or "in industries engaged in commerce and the production of goods for commerce." The Supreme Court has interpreted the term "affecting commerce" to include all manufacturing plants, any part of whose products are procured from or sold in other states; mining, newspaper offices, and telegraph services; public utilities which supply any service to interstate industries; retail establishments which sell across state lines; and maintenance employees working in buildings occupied by offices of companies engaged in interstate commerce.

State governments rest their claim for jurisdiction over labor activities, especially their outward manifestations, upon the police powers of the state, as well as their constitutional right to enact legislation on any subject not expressly denied them by the federal government. The Supreme Court has upheld the state's power to regulate workers' activities which directly affect the public safety and the use of public thoroughfares, as in picketing and other labor demonstrations. But the Supreme Court has also held that any state order which deprived a union or employees of rights specifically guaranteed by federal law would be set aside.

The 1947 Labor Management Relations Act incorporates divergent principles with respect to the extension versus the limitation of federal jurisdiction. For the conciliation of labor disputes, as already indicated in Chapter 23, the Act discourages federal intervention in disputes having a "minor effect on interstate commerce." With respect to enforcement against its cited unfair labor practices, with one important exception, the new law explicitly provides that it shall supersede state laws when the latter are "inconsistent with the corresponding provision" of the federal Act.[31] The exception pertains to union-shop contracts for

[31] There is contrarient opinion within the National Labor Relations Board concerning the application of this clause. The General Counsel, zealous to enforce the stipulations against unfair labor practices of unions, seeks to extend

which the Act concedes priority to the states by specifying that where state laws forbid this and other forms of union security, the latter shall supersede the federal law. Such a concession of federal jurisdiction is unique, and is clearly for the purpose of diluting the effect of the permissive provisions of the federal law by encouraging the states to enact more restrictive legislation.

The reverse is true with respect to the collective bargaining rights of foremen and supervisors. The clause which excludes supervisors from the definition of "employee" in the coverage of the Act specifically says that the federal Act relieves employers from the obligation of bargaining collectively with foremen *despite* any state laws.

State Legislation Pertaining to Unions

During the decade following the enactment of the original National Labor Relations Act, nine states adopted legislation which adhered closely enough to the federal pattern to be referred to as state labor relations laws, although several of them were originally drafted or later amended to include various kinds of restrictions on employees and unions as well as upon employers.[32]

With very few exceptions the state laws which have been enacted since 1939 have tended to restrict rather than to protect union activities and collective bargaining. Restrictive legislation was passed in eleven states in 1943, and in 1947 after the postwar wave of strikes, thirty states enacted restrictive legislation of varying degrees which in several instances took the form of amendments to their constitutions. These laws cover a wide variety of activities including prohibition of closed- and union-shop contracts, restric-

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the law to the smallest businesses which traditionally have been considered intrastate, such as retail stores, restaurants, and small building projects having only one or two employees, which nevertheless obtain some of their goods from outside the state. The Board members, and indeed some of the Congressmen who sponsored the Taft-Hartley Act, have expressed concern over both the principle and the practicability of such sweeping extensions of federal regulation of business.

[32] Five states passed labor relations laws in 1937—Wisconsin, New York, Massachusetts, Pennsylvania, and Utah; two in 1939—Minnesota and Michigan; Rhode Island in 1941, and Connecticut in 1945. Both the 1939 laws included various restrictions on unions as well as employers, and the same year Pennsylvania and Wisconsin amended their laws to include regulations of unions. In 1945 Hawaii and Puerto Rico enacted laws which include unfair labor practices for both employers and employees.

tions on strikes and picketing, as well as regulation of the internal affairs of unions such as the method of holding elections, issuance of financial reports, and the amount of dues which unions may levy. By 1949 the tide of state restrictive laws had receded somewhat. No new laws were enacted and several states repealed laws which had been enacted a few years earlier.

Most of the state laws pertaining to the internal affairs of unions, the requirements for calling of strikes, and the regulations pertaining to the checkoff of union dues, were enacted before the 1947 National Labor Management Relations Act. So long as the federal law includes similar restrictions, the state laws will probably not be invoked to any great extent. The situation is different, however, in the case of state legislation prohibiting union-shop contracts, since these laws take precedence over the permissive provisions in the Taft-Hartley Act. In 1949 no less than 14 states prohibited the closed shop; 13 of these also prohibited or regulated union-shop contracts. Almost all these laws were enacted during the months when the Taft-Hartley Act was being debated in Congress, thus reflecting a response to the same influences which prevailed in Washington. Although a sizable proportion of the states bar or regulate union-shop contracts, it is significant that they are limited to the relatively nonindustrial and predominantly agrarian sections of the country.

A number of the restrictive laws are now being appealed in the courts, and some sections have already been invalidated. The Idaho Supreme Court has declared unconstitutional the provisions of the Idaho statute which required unions to file financial statements and which outlawed picketing of agricultural premises. The United States Supreme Court has ruled that the provision of the Texas law which required union organizers to register with the secretary of state before soliciting members is contrary to the constitutional right of freedom of speech and assembly when applied to a union leader addressing a union membership rally. The U. S. Supreme Court has declared that Florida has no right to enjoin a union which refused to comply with its law requiring the licensing of union business agents, but this decision may not now be valid since it was based on the guarantees in the old National Labor Relations Act.

Organized labor suffered a major reverse when the U. S. Su-

preme Court early in 1949 upheld three state laws which placed bans on closed- and union-shop contracts.[33] The Court based its decisions chiefly on the principle that if states have the right to enact laws prohibiting contracts which discriminate against union members (that is, yellow-dog contracts) they also have the right to prohibit contracts which discriminate against nonmembers. The union appellants had argued that the right of union members to demand that no nonunion persons work along with union members is "indispensable to the right of self-organization and the association of workers into unions"; that without a right of union members to refuse to work with nonmembers, there are "no means of eliminating the competition of the nonunion worker."

In validating the state laws the Court made the significant statement that the Court was consciously shifting away from the constitutional doctrine that the due process clause should be so "broadly construed that Congress and state legislatures are put in a straight jacket" and returning to the principle that states have the power to legislate on internal matters "so long as their laws do not run afoul of some specific Federal constitutional prohibition, or of some valid Federal law."

According to this important decision organized labor can no longer look to the courts for relief from state laws banning union-security contracts; its only avenue is to the state legislatures through whatever political influence it can muster.

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[33] The North Carolina law and the Nebraska amendment to its constitution provides that no person shall be denied an opportunity to obtain or retain employment because he is or is not a member of a labor organization. Arizona's constitutional amendment merely provides that there should be no discrimination against nonunion workers.

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CHAPTER 25

INDUSTRIAL RELATIONS PROBLEMS

LABOR UNIONS AND COLLECTIVE BARGAINING ARE NOW WIDELY accepted as permanent institutions in our industrial life, but there is no common agreement on many of the problems which accompany widespread and strong unionization. Some of the complex and unresolved problems pertain to internal union administration; many have to do with the area and processes of collective bargaining and their effect upon the management of industry; others relate to union activities which directly involve the public convenience and welfare.

Within the past several years, as was indicated in the preceding chapter, federal and state legislation has been enacted which sponsors of the laws claim will settle some of these problems. Although laws can make certain actions legal or illegal, they are not necessarily an equitable settlement of the controversial issues involved, nor a permanent solution. So long as the laws are being vigorously contested before the courts and before the bar of public opinion, they cannot be assumed to be the final answer.

In this chapter we will discuss the underlying principles and issues involved in some of the major problems connected with union-management relations. Although there is an attempt to present the relevant arguments both for and against present laws and existing practices, the author does not avoid drawing some conclusions. It is not expected that everyone reading these pages will agree with the author; one's opinion on questions of individual and group rights and responsibilities depends upon one's social and economic philosophy, as well as one's judgment as to what is practical and possible under given circumstances. Above all, it must always be borne in mind that there are no definitive answers to problems affecting group interests. In a dynamic society,

what appears to be a reasonable and sound solution at one time may become impractical and unreasonable at another time or in another situation.

UNION-SHOP CONTRACTS

The question of the closed and union shop was one of the major controversial issues during the congressional hearings when the 1947 Labor Management Relations Act was under discussion, and original drafts of the Act categorically outlawed all forms of so-called union security agreements between employers and unions. Although the law as finally enacted does not go as far as many of the sponsors originally sought, the present law does represent an almost complete reversal in attitude from that expressed in the original National Labor Relations Act. The latter explicitly allowed and protected contracts which required union membership as a condition of employment, the only qualification being that the union must have been chosen by a majority of the employees.

The new law bans all closed-shop contracts,—that is, contracts whereby employers agree to hire only persons who are already union members. It permits contracts which provide that employees must join the union 30 days following employment—that is, union-shop contracts, but only under certain conditions. Before a union is eligible to solicit such a contract from an employer it must, as a first step, be certified by the National Relations Board as the bargaining agent, and it cannot be thus certified until it has filed certain reports and affidavits with the government, as described elsewhere, and has won a majority vote in an election. Then a referendum must be held by the Board to determine whether a majority of the employees eligible to vote are in favor of the union shop. (The requirement of a majority of the *eligible* to vote instead of a majority of those voting, as is the customary rule in elections and plebiscites, makes a favorable vote much harder to obtain, because it automatically classifies the neutral and indifferents in the negative.)

Even if the union obtains a majority vote, the employer is not required to enter into a union-shop agreement; the Act merely says that nothing in the statute "shall preclude an employer" from making such an agreement after the specified conditions are met.

If an employer refuses, presumably the union may then resort to a strike. But, under the existing statute, a union may not legally go on strike to obtain a union-shop contract under any other circumstances; if it does, the Board is empowered to petition the court for a restraining order.

Most of the recently enacted state legislation which deals with this issue prohibits both closed- and union-shop contracts without any reservations. As has already been indicated, the Taft-Hartley Act specifically provides that where a state law is more stringent, it shall override the federal law within the state's jurisdiction. The net effect of all these recently enacted laws is much more far reaching than a mere removal of the union protections afforded by the 1935 National Labor Relations Act; they make illegal arrangements and practices which have been in effect in certain industries for a hundred years.

The "Right to Work" and the Union Shop

Legislative bans on closed- or union-shop contracts are explicitly or implicitly represented as protections for those who do not want to belong to labor unions. The principle that an individual's preference not to join a union should not be a deterrent in obtaining or holding a job is variously expressed in the laws as follows:

> No person may be denied employment and employers may not be denied the right to employ any person because of that person's membership or nonmembership in any labor organization.
>
> It shall be unlawful, singly or in concert, to interfere with another in his exercise of the right to work.
>
> Every person has the right to work, and to seek, obtain and hold employment, without interference with or impairment or abridgment of said right because he does not belong to or pay money to a labor organization. Anything done or threatened to be done which interferes with, impairs, or abridges said right is unlawful.

The purpose of legislation of this kind is to outlaw employer-union contracts which require hiring of new employees through union hiring halls, or require employees already hired to join the union, and to prohibit picketing and other union actions which make it difficult or embarrassing for nonunion workers to accept or continue their employment. Opponents of such legislation main-

tain that the restrictions are unjust because they violate the union property rights inherent in contracts with employers, and the right of union members to choose *not* to work alongside nonmembers. Its proponents hold that such legislation conforms to the best traditions of our Constitution and Bill of Rights because it affords protection against union coercion and intimidation.

The Right-to-Work Theory

A policy of protection for nonunion workers and the so-called open shop is based on the assumption that any person should be able to engage in lawful work anywhere and under any conditions he chooses, and that any employer should be able to hire anyone he chooses. Exalted into a principle, it is expressed as a duty of government to protect the inalienable right of an individual to work—a right which is as fundamental as his right to quit work, and as sacred as the right to "life, liberty and the pursuit of happiness."

Although much of the support for restrictive union legislation comes from groups which before the enactment of the 1935 National Labor Relations Act were opposed to collective bargaining of any kind, these groups now maintain that they do not object to the principle of collective bargaining but merely to its misuse. Workers, they say, have a right to select an agent of their choosing and to ask this agent to bargain in their behalf. But when a majority of the employees designate a bargaining agent, they have no moral right, and should have no legal right, to act for the minority who wish to bargain for themselves. They maintain that to force workers to join and pay dues to a union in order to obtain and hold a job is repugnant to every instinct of liberty, and is a form of human bondage because it infringes upon the individual's right to work under whatever conditions he chooses.

Regardless of the merits or deficiencies of the closed or union shop or other requirements for union membership, there are obvious loopholes in the "right-to-work" argument as a reason for restricting union job control. An inalienable right is one which cannot be taken away; but no proponent of this argument goes so far as to say that jobs should always be guaranteed to those who seek work, and that no one should be dismissed from a job he wishes to retain. It could just as well be argued that unions protect

the right to work rather than deny it, for some of the major planks in collective contracts are the job protection clauses concerning layoffs and discharges. In the absence of collective bargaining, all the rights an individual worker has under the law, and under our present industrial system, is the right to go from employer to employer in search of work and to accept any job which may be offered on the terms and conditions prescribed by the employer.

Job Holding and Union Membership Rules

The fact that a collective bargaining contract requires union membership as a condition of continued employment does not in itself deny anyone the right to work; it merely superimposes another requirement upon the employee in addition to those prescribed unilaterally by the employer. However, if the union is unwilling to allow certain individuals to become members, or makes the cost of membership prohibitive, the requirement of union membership for holding a job is tantamount to depriving persons of jobs.

There are two reasons why a union may deny membership privileges: first, certain people may be unacceptable, and second, there may be an actual or potential surplus of workers in the trade. The latter pertains more to the closed-shop than the union-shop problem and will be discussed later.

Certain persons may be deprived of jobs because of restrictive union admission rules or because they are personally unacceptable to the union. As was indicated in Chapter 20, very few unions follow the policy of restricting membership either by specific rules of admission or through exorbitant initiation fees; most of them automatically accept all applicants who are employed or are seeking employment within their respective jurisdictions. There are a few unions, on the other hand, which have restrictive practices based on race or sex. Within recent years several states have enacted laws against such union membership discrimination, and most unions are in accord with the general principle embodied in such legislation.[1]

[1] During the recent war President Roosevelt issued an Executive Order which declared that employers and labor organizations were obligated "to provide for the full and equitable participation of all workers in defense industries, without discrimination because of race, creed, color or national origin." A Fair Employment Practices Committee was established to implement the

Blanket restriction against persons because of race or creed is quite another matter from a refusal to accept or to retain a particular person. Any union may object to having a certain individual as a member because of actions or attitudes which it considers inimical to its interests. There may be a suspicion, and perhaps evidence, that he is antiunion and a "stooge of the boss" who will use his membership for purposes of spying or disrupting the union. On the other hand, he may have been a sincere member who for conscientious reasons objected to certain union rules and policies and was expelled when he refused to abide by them. Also, as with any kind of organization composed of human beings, personel prejudices and animosities may cause some persons to be kept out, or expelled, in spite of all the safeguards provided in union constitutions.

The 1947 Labor Management Relations Act makes it an unfair labor practice for an employer to deny employment under a union-shop contract, or in any way to penalize an employee for non-membership, if the employer has reasonable grounds for believing that membership was not available to the employee on the same terms applicable to other members, or if the employee was expelled from the union for any reason other than nonpayment of regular dues and assessments. In other words, if an employee has violated any union rule or has engaged in any activities which the union considers inimical to its interests, he may be expelled, but if he is employed under a union-shop contract, the union may not demand his discharge, as was the practice before the new law was enacted. Organized labor is much concerned over the effect of this clause in the Taft-Hartley Act, maintaining that it deprives unions of necessary control and discipline against disruptive actions of their members, even though the unions are held responsible for violation of their agreements, wildcat strikes, and other illegal activities.[2]

order and to hear and adjust complaints of discrimination. Following the war there has been an attempt to make the FEPC a permanent agency of the federal government but Congress has failed to enact the necessary legislation. (See Louis C. Kesselman, *The Social Politics of FEPC*, University of North Carolina Press, Chapel Hill, N. C., 1948, and Malcolm Ross, *All Manner of Men*, Reynal & Hitchcock, N. Y., 1948.)

[2] The legal question arises as to whether a union can deprive a person from participating in its affairs if he continues to pay his dues. In any case, while on the job he has the opportunity to engage in most of the activities which the union has found objectionable.

A union's refusal to accept or retain certain people as members is a delicate problem which involves the question of what is considered a reasonable or justifiable motive. A member may refuse to obey a union rule which many persons, inside and outside the union, might also consider unwise; but if the majority of the members have voted for the rule, or have voted for the officers who interpret it, union discipline requires compliance by all. The issue has arisen in a number of instances where the question of communism was involved. Unions which have wanted to expel certain members because of "their disruptive, communist tactics" have been thwarted. In reverse, some communist-controlled local unions have been unsuccessful in getting the discharge of "right-wing" members who were actively seeking to overthrow the communist leadership.

There is much to be said in favor of the present legal provisions which seek to protect expelled members from losing their jobs. Under many circumstances, however, the application of the present law can be self-defeating inasmuch as the best interests of employers and the public, as well as the unions, are not served through the weakening of the self-controls of unions. Instead of rigid prohibitions which must be automatically applied in all cases, it would seem better to have an enabling type of law which would permit each case to be decided on its merits. This could be effected by having a requirement that all union-shop contracts must include provision for impartial investigation and arbitration of all cases involving discharge because of expulsion from the union.

Union Shop and Majority Rule

Essentially, the issue of union status within a plant involves individual or minority rights as opposed to majority rule. The legal ban on union-shop contracts has been defended on the grounds that since the law provides that no one as a condition of employment shall be forced *not* to be a union member (through signing a "yellow-dog contract" or by employer discrimination), it is equally reasonable to have legislation providing that no one, as a condition of employment, shall be forced *to become* a union member. This argument entirely ignores the basic principle of majority rule. According to the present laws, a union must have been designated by a majority of the employees concerned before

it is permitted to become their bargaining agent; conversely, if a majority of the employees vote against the union it loses all right to represent them. If, through majority vote, a union is permitted to become the bargaining agent for *all* the employees, it might reasonably be argued that the principle of majority rule should be extended to cover the question of union shop; that is, that no union should seek or obtain a union-shop agreement until a majority of the employees affected had indicated they wanted the all-employee membership requirement.

Several state laws have provisions to that effect,[3] and no neutral person is inclined to object to such requirements in principle. There are valid arguments, however, as to their necessity and to the costs and delays connected with their administration. Experience has amply indicated that where a majority of employees have once voted to have a union as their representative agent, they will also vote in favor of the union shop.[4]

The argument that an individual worker should have the right not to be a union member even though a majority of his fellow workers have voted in favor of such a requirement, may be compared to saying that the minority of citizens who lost in a political election should not have to abide by the laws enacted by the successful majority, or that an individual stockholder should be allowed privileges in the management of a corporation contrary to the vote of the majority. This analogy could be extended further in defense of the union shop (when approved by majority vote) by arguing that just as the unsuccessful citizens' minority must continue to help support the government and pay the taxes levied by the party in power, so the minority of nonmember employees should share in the costs of collective bargaining. If it were possible to limit the benefits achieved through collective bargaining only to union employees, it could logically be held that those who do not

[3] However, only the Kansas statute requires a simple majority. The Wisconsin, Colorado, and New Hampshire laws require two-thirds favorable votes. The Taft-Hartley Act, as already indicated, requires a majority of those *eligible to vote,* which automatically places those who do not or cannot take part in the election in the negative.

[4] During the first year after the passage of the Taft-Hartley Act the National Labor Relations Board held more than 6000 union-shop elections at a cost of approximately $4,000,000 to the taxpayers. Workers voted for the union shop in almost 98 percent of the elections held.

choose to pay union dues should not have to do so in order to hold their jobs. Since two different wages and other standards within the same plant are obviously impractical, the dues-paying members can reasonably argue that they should have the right not to work with persons who do not help to support the unions—those referred to by unions as "free-riders."

THE CLOSED SHOP AND UNION MONOPOLY

Closed-shop agreements differ from union-shop contracts in the very important respect that they require union membership *before* hiring. In the most extreme form of closed-shop situation the union has control of the intake into the labor market for the trade or industry, as well as the referral of individual persons to fill job vacancies. Referral of persons, however, does not necessarily mean, and in practice seldom means, that the union actually decides who shall be given a particular job; in most instances the employer may choose whomever he wishes from the union membership, or at least has the right to reject any individual he considers unqualified, or has the opportunity to make a selection from a number of persons referred by the union. In some instances the employer's opportunity for individual selection is very limited, if not entirely absent, through the rotation system practiced at some union hiring halls, as is indicated in Chapter 9.

There are two aspects of the closed shop which are distinct from the union shop, namely, the authority to control the size or volume of a given labor supply, and the question of selection of particular persons for jobs.[5]

Significance of Union Job Control

The number of persons available and able to perform needed work affects the volume of possible production and, conversely, the volume of unemployment when production is not needed. Since

[5] In the consideration of the problems connected with the closed and union shop it must be kept in mind that the line of distinction between them becomes very vague and almost disappears in certain circumstances. For instance, there may be no overt reference to the hiring of only union members in contracts covering a trade where union membership has been a long-established custom and persons wishing to enter the trade seek union membership as a matter of course before applying for a job. This situation may also exist where a union's apprenticeship program affords the only opportunity for learning the trade.

the size of the labor market for a particular kind of job influences the relative bargaining strength between the employers and the workers, it also affects wage and other work standards. Even before there were legal prohibitions against closed-shop contracts, only a few unions had been able to obtain or maintain control of their entire potential labor markets, but with these unions the present legal prohibition remains a controversial issue.

Opposition to the closed shop stems from a general fear that it leads to union monopoly of jobs and control of working conditions. Accompanying this fear is a desire to keep the status of unions and the labor market in a fluid condition, thus enabling employees to enter or leave the union at will and permitting employers to augment their labor forces as they deem advisable.

Where closed-shop conditions prevail throughout most of a trade or industry, nonunion members are at a definite disadvantage when jobs are scarce. Fundamentally, however, it is job scarcity rather than union membership requirements which deprive them of the "right to work." In the choice between members and nonmembers for the limited number of available jobs, the unions naturally feel that those who have fought and sacrificed to improve working conditions should have preference. Nonunion applicants who are debarred, and employers who naturally prefer to select their employees in a highly competitive labor market, are inclined to regard this as the union's monopoly of jobs, even though the union is not responsible for the scarcity of job opportunities.

Reverse conditions prevail during periods of inflation or war, and may exist at other times in a particular trade. The number of jobs may exceed the number of available union members, and if the union is reluctant to add to its membership the volume of production is adversely affected. If this situation is prolonged, the union will voluntarily open its doors to newcomers, its hesitancy to act promptly being due to its fear that the boom is temporary. Nevertheless, there is the question whether unions should have the power, through closed-shop contracts, to limit employment and production at *any* time. Production may also be affected, although more indirectly, if the union has control over the allocation of jobs among its members and does not make its selection on the basis of individual efficiency and qualifications.

Union monopoly of jobs can be as inimical to the public interest as any other type of monopoly. Those who speak of union monopoly usually think in terms of a strongly entrenched clique of union officers who, because of compulsory membership requirements, are enabled to exercise despotic power over workers and employers alike. There is another danger in the closed- and union-shop arrangement than the possibility of over aggressive and tyranical control, namely, apathy in union leadership. The avowed purpose of a closed shop is to provide union security and eliminate the necessity for continual membership drives during which skeptical and indifferent employees must be won over by tangible evidence of the union's accomplishments. This challenge is minimized when full membership is automatically assured through closed-shop agreements, with the result that union leaders may become less alert in promoting their members' welfare. Taking advantage of this all-too-human reaction to "security," some employers have accepted closed-shop agreements in order to obviate what they call "popularity contests," in which the union must promise better working conditions in order to win new members, and hold dissatisfied members who otherwise would transfer their allegiance to a more aggressive union.

Safeguards or Prohibition?

A union can be said to be monopolistic when there is not free access to membership, when it has ceased to be the instrument of expression for the needs of those covered by the agreements it negotiates, and when it is impossible for employees to change their union affiliation whenever a majority so desire. Closed-shop contracts make possible a situation which can lead to monopolistic practices, but the existence of a closed-shop contract does not in itself indicate the presence of monopoly conditions.

There are many variants of the closed shop, and in many cases there is disagreement as to what should be considered a closed shop. Also there is no unanimity of opinion among those who have had experience with the closed shop as to its harmful effects. Although many employers sought and welcomed its legal prohibition, others have testified that their closed-shop contracts with the union have served to attract and keep expert workmen and have brought stability in their employer-union relationships.

The 1947 Labor Management Relations Act recognizes a difference between the closed shop and the union shop but in some situations union-shop contracts, which the law permits, are meaningless and the closed shop is the only practical alternative to a nonunion shop. For example, in the building and maritime industries where workers are employed for short periods by numerous employers, the legal provisions for holding union-shop elections are obviously impractical; many building and shipping jobs are completed before elections can be held. This enables nonunion workers, in the absence of closed-shop or union hiring hall provisions, to get employment on each job as it turns up.

For these many reasons, and in spite of the potential harmful effects of closed-shop contracts, the advisability of a blanket legal prohibition seems questionable. A better approach would seem to be to establish a general provision against *undue* interference or obstruction in the hiring of labor, with provision for appeal to arbitration which would allow each situation to be settled on its individual merits.

REGULATION OF LABOR UNIONS

Those who sponsor legislation to regulate the internal affairs of labor unions give as their primary purpose the protection of workers against unfair union rules and unscrupulous union officers, although they also indicate that employers and the public will benefit from such regulation. The specific forms of the remedies offered indicate the areas in which those who advocate regulation believe that some unions, at least, have failed to represent the will and desires of the workers whose interest they are supposed to promote.

Organized labor itself opposes government regulation of the internal affairs of unions. It maintains that unions are voluntary associations and that whatever changes or improvements are needed can come from within through the self-corrective forces and self-discipline which always exist in democratic organizations, and through joint coöperation with industry in response to pressure of public opinion.

Proposals and laws for regulating labor unions and labor relations are of two general types: those which are concerned with

the internal workings of the union, such as membership rules, the election and authority of officers, and dues and finances; and those which are concerned with union activities directly affecting employers and the public, such as strikes, picketing, and boycotts. We can discuss only briefly some aspects of a few of these proposals and laws.[6]

Union Democracy

A common criticism against labor unions is that the rank and file members do not participate sufficiently in the conduct of their union's affairs and that dictatorial powers rest with the officers. This raises the question of how much democracy is possible and desirable in unions—an age-old question common to all types of organizational and community life. This is revealed in the reading of almost any metropolitan newspaper where a discussion of one situation is very likely to include a denunciation of "labor bosses" and "labor dictators" and the discussion of another labor situation will include an equally critical remark "that (name of union president) does not have adequate control over his members."

Most union constitutions, as indicated in Chapter 20, provide the mechanism for maximum participation of the members, although the basic laws of a few unions permit and encourage highly centralized officer control. Under the former as well as the latter, however, personal domination by a few leaders sometimes exists. The reasons are twofold: The leaders naturally are better informed about conditions within and outside the union and can take prompt and decisive action as issues arise. Furthermore, the majority of the members prefer to have their officers assume most of the responsibility for deciding and administering union policy. Like the ordinary stockholder in a business corporation or the average taxpayer in any community, most union members are willing to have their elected leaders assume full authority as long as they "deliver the goods."

As one student of labor unions observed some years ago, "While unionism as a whole is the spontaneous outcome of the

[6] The discussions in the following pages can deal only with federal legislation and policy. Students are urged to study the comparable laws of their own states and make their own inquiries as to how the laws are being administered and enforced.

conditions, needs, and problems of the workers, the rank and file in general are not in a condition to formulate methods for meeting needs or solving problems, and, apart from the direction of competent leaders, have not the intelligence to combat employers successfully. . . . Only when the union is weak and the leaders unsuccessful do the rank and file take control."[7] Just as the inertia of citizens results in domination by machine politics and sometimes corruption in city government, so the unwillingness of union members to spend time and effort on union affairs makes it possible for a few leaders to assume control.

Can this human weakness of indifference and inertia be remedied by law? Some governments penalize citizens for not voting and some unions fine members for nonattendance at meetings. Presumably, there could be laws to require union members to take an active part in the government of their organizations, and to require unions to hold meetings and conventions at frequent intervals in which officers would be elected and policies decided by secret ballot. Such legislation might correct certain evils existing in some unions, but it would most certainly open the way for government regulation of many other kinds of private organizations. The ultimate result could be a totalitarian government that would reach into every phase of economic and social activity. Many persons believe that the better answer is the exposure of specific evil practices to the "court of public opinion," and reliance upon remedy from within the unions.

Protection of Members

Reform from within is contingent upon the ability of any member or group of members to criticize the actions of their union or its officers without fear of reprisal. The difficult problem for the union is to distinguish between sincere criticism and an effort to disrupt the union, especially when there is a suspicion that the criticism emanates from "stooges of the boss." It might well be argued that, regardless of motive, members should have some protection against arbitrary expulsion, at least where union-shop

[7] R. F. Hoxie, *Trade Unionism in the U. S.*, D. Appleton & Company, Inc., New York, 1923, p. 177. See also Norman Thomas, "How Democratic Are Labor Unions?" *Harper's Magazine*, May, 1942; Frank C. Pierson, "The Government of Trade Unions," *Industrial and Labor Relations Review*, July, 1948, Cornell University, Ithaca, New York.

conditions exist and expulsion means the loss of a job. Under the latter circumstances the issue goes beyond internal union government; it affects the employer as well as the means of livelihood of members and their families, and comes within the purview of union contracts.

The 1947 Labor Management Relations Act, as already indicated, forbids dismissal from the job (under union-shop contracts) because of expulsion for any reason except nonpayment of dues. Under this kind of stipulation a member may violate with impunity any rule or decision enacted by majority vote of the union members; the union is held responsible for his conduct if it adversely affects the union's relations with the employer or the public, although it has no power to remove his injurious influence. Members can be protected against unjust or arbitrary disciplinary actions of their union, but the protection need not take the form of a legislative ban on expulsion—or what in effect is a ban on expulsion as does the present law. Instead of *bans*, there can be legal guarantees of *due process* for accused members.

Persons expelled from unions now have recourse to the courts, and in a number of instances the courts have ordered the reinstatement of members who were expelled for violating union rules which the courts considered unconstitutional, for bringing suit for the restoration of misappropriated funds, and for other reasons.[8] Restoration through the courts is costly, however, and most union members are reluctant to invoke judicial procedures. A practical alternative, as has already been suggested, would be a requirement that contracts which provide membership as a condition of employment should also provide that members expelled from their union have the right to appeal to arbitration where it is provided in the agreement, and otherwise to the courts. The former is usually preferable because industrial arbitrators are more familiar with union and labor relations problems than the average judge.

Incorporation of Unions

Compulsory incorporation of labor unions has been advocated as a means of increasing labor's responsibility and of making

[8] The reader is referred to a discussion of this subject by John P. Troxell and David A. McCabe in the *American Economic Review*, March, 1942, pp. 460–489.

unions "amenable to the law and liable for wrongful acts." It is argued that business incorporates and is financially responsible for any damage it may commit, and that unions should be forced to undertake similar obligations. Specificially, it is maintained that incorporation would make unions more responsive to the Anti-Trust Act, and that it would prevent racketeering and would restrain union officers and members from committing other acts for which they could be sued for damages.

The opposite view holds that the corporate device is not adaptable to union organization and will not fulfill the purposes desired by its sponsors.[9] The purpose of the incorporation of business, it is pointed out, is to *limit* liability and not to establish it, and members of incorporated businesses can escape personal liability. The incorporation of trade unions seeks to *establish* liability in such a way as to hold the central organization responsible for the irresponsible acts of members who may actually be provocateurs for the employers. Moreover, business is not required to incorporate. Businessmen are free to operate either as individuals, as copartnerships, or as voluntary associations. Combinations of businessmen, such as trade associations, are not required to and do not incorporate.

Even though unions are not incorporated, the 1947 Labor Management Relations Act stipulates that a union may sue and be sued as an entity; that it is bound by the acts of its agents; that money judgments are enforceable against the assets of the union. Also, other devices for government control of unions are

[9] In the 19th century, organized labor favored incorporation as a countermove to the conspiracy laws which followed the general strikes of 1877. It was also felt that incorporation would give legal recognition to the right to organize. A federal incorporation law was passed in 1886 which permitted trade unions to incorporate in the District of Columbia and other federal territories. Subsequently several unions incorporated. After the Taff-Vale decision in England in 1901 (which held that a union was subject to a civil suit for damages performed by an individual member and that its funds were attachable to satisfy claims), the attitude of organized labor changed to opposition. The 1886 incorporation law was repealed in 1932, largely on the grounds that it was being used by beneficiary societies carrying on an insurance business.

The latest instance of union incorporation legislation was a law passed by Colorado in 1943 which required every labor organization in the state to incorporate. This law was invalidated by the state supreme court in 1944 on the grounds that it infringed on the constitutional right of assembly. Some states, for example Illinois, specifically exclude labor unions from their incorporation laws.

proposed, and some have already appeared on the statute books. Those are requirements that unions register and file certain reports with a government agency, or receive licenses from the government in order to function.

Publication of Financial Reports

During the recent wave of union regulatory legislation, several states have enacted laws requiring union registration and the filing of financial reports with state authorities. Under the terms of the 1947 Labor Management Relations Act a union is deprived of all the benefits of the Act, such as the right to petition for election for bargaining agent or to file unfair labor practice charges against the employer, unless both the local union concerned and the national organization with which it is affiliated, file annually with the Secretary of Labor copies of their constitutions and by-laws, financial and other specified reports, and furnish similar reports to all their members.

No one can argue against honest bookkeeping and keeping members fully informed about the financial affairs of an organization to which they pay dues. As was indicated in Chapter 20, most unions have always followed the practice of having annual audits of their books and making these reports available to their members. Some unions have been lax in these respects, and among the thousands of union officers a few have been dishonest. Unfortunately, dishonesty of union officers is seldom revealed in the bookkeeping records, because it seldom involves stealing from the union treasury. Where union officers have been dishonest, it has usually taken the form of racketeering and graft from employers and city officials or, when jobs are extremely scarce, from the acceptance of secret "fees" from persons in return for jobs.

In spite of the fact that records do not reveal this kind of dishonesty, it might be advisable to have legislation requiring the annual auditing of union accounts. Also there is much to be said in favor of the publication of their financial reports.[10] But if legisla-

[10] Organized labor's chief objection to the present federal law is the requirement that reports must be "furnished to all their members." Unions contend that this is unreasonably burdensome and opens the way for a disgruntled member to charge that he did not receive the latest financial report and thus obstruct the union at a critical time when it was seeking an election or filing charges against the employer. This objection could be overcome with a re-

tion of this kind is advisable for labor unions, one might well ask why there should not be similar legal requirements for such organizations as the National Association of Manufacturers and other employer and trade associations whose activities also vitally affect the public interest.

Registration and Licensing of Unions

Requiring organizations to publish their financial reports for general distribution is quite a different matter from requiring them to register and file their reports with government authorities. Superficially, the difference seems to be only the cost to the taxpayer for the handling of the reports, and the burden to the organizations of preparing them. Fundamentally, it has serious implications. It is an easy step from registration to certification to licensing; from the mere filing of financial reports to the controlling of finances. Registration does not in itself mean certification or licensing, but if the latter are not its ultimate purpose, one can well raise the question, why require registration? Unions by their very nature cannot function in secret as can political lobbies, for instance. The public is only too well aware of their presence when they campaign for membership and when they deal with employers.

The requirement that unions be certified or licensed means that they function only as the political regime which happens to be in control of the government wishes them to function. That signifies not only the death of free trade unionism but the beginning of authoritarian government. A unique fact of modern industrial life is that an aspiring dictatorial regime must gain control of the labor movement in order to succeed. Conversely, no political dictatorship can gain control so long as there is a strong and free trade union movement. There is no substitute for the labor of its working population, and a dictatorship, therefore, cannot *eliminate* but must gain *control* of workers' organizations,—either by persuasion or compulsion. Mussolini took over the Italian unions under the guise of industry-union coöperation for the national interest; Hitler, and more recently Perón of Argentina, on the

quirement that financial reports must be published in the union's journal, or for small local unions which do not have a journal, the reading of the report at a regular membership meeting. As indicated in chap. 20 this is already the prevailing practice.

promise that government-sponsored labor organizations would be more effective than free trade unions to improve labor conditions. Communist totalitarian governments gain control of workers' organizations and then proceed to make them agents of the state.

The authoritarian potentialities of licensing and registration laws and ordinances for unions or union officers,[11] which some of our states and local governments have enacted during recent years, may not seem apparent or obvious. In predominantly agricultural communities the laws may in fact represent the wishes of the majority of its citizens. Nevertheless, such legal regulations signify that the government has placed itself in a position where it can dictate how groups of its citizens may associate together for the purpose of improving their economic well-being and whom they may choose for their leaders. When the precedent for such government action has once been established, it is almost inevitable that similar regulations for other purposes and groups of citizens will be enacted with the shifts in political power.

Political Contributions and Expenditures

Proposed measures and laws pertaining to union finances are directed toward two purposes: first, to regulate the amount of dues and fees which unions levy upon their members and, second, to safeguard and restrict the use of union funds. The expressed motive for regulations of this kind is to protect workers from excessive charges; but underlying this is fear, on the part of employers and others, of the increased power which ample treasuries would give the unions.

The use of union funds for political purposes is an example of this concern, and a clause was included in the 1947 Labor Management Relations Act (Section 304) which amends the Federal Corrupt Practices Act to include labor organizations along with corporations which are forbidden to make contributions to a political party or candidate for federal office. But the recent act also pointedly adds the word "expenditure" to the previously

[11] It must be remembered that the essential purpose for licensing unions and union officers is entirely different from occupational and professional licenses which are certifications of job competency or, in some instances, a form of taxation.

existing law, and this can be interpreted to mean a labor union cannot spend money from its treasury for handbills, radio time, newspaper space, or an assembly room to urge the defeat or election of political candidates.[12]

The Taft-Hartley Act seems to give the ban on expenditures for political purposes a semblance of reasonableness by coupling unions with corporations. Legally and actually they are entirely different kinds of organizations. In so far as regulation of political activities are concerned, it would be more accurate and realistic to identify labor unions with farmers' or professional associations of *people*, and enact the same kind of regulations for all. The final decision of the Supreme Court on the constitutionality of expenditures by unions for political purposes will depend upon the personal leanings of the majority of the justices, but it hardly seems likely that the Court could interpret the free speech and free assembly guarantees of our Bill of Rights to mean that groups of private citizens, such as labor unions, should be deprived access to the commercial channels of the press and radio, or other forms of communication. Pending the Court's final decision, labor organizations have been very careful not to use regular union funds, but to finance their political activities by voluntary contributions from their members.

The question of contributions to political parties raises questions of quite a different character than expenditures by unions for the purpose of electing and defeating individual candidates, or promoting and defeating particular laws. Regardless of the merits or dangers involved, however, comparing union contributions to corporation contributions is a specious analogy so long as there are individual corporation stockholders who are able to make

[12] In June, 1948, the U. S. Supreme Court dismissed an indictment against the C.I.O. for having published in its *News* a statement endorsing a Congressional candidate. On the grounds that the *News* was published and distributed at union expense, the C.I.O. had sought the indictment in order to test the validity of Section 304 of the Taft-Hartley Act. The Supreme Court's response to this "test case" was merely that it did not think Congress intended to include within the word "expenditure" the costs of such a publication as that particular issue of the C.I.O. *News*. It very carefully stated that it was not passing upon the constitutionality of Section 304 of the Taft-Hartley Act.

A few weeks after this Supreme Court decision, a Federal judge upheld an indictment against a union (an A.F.L. Painter's local of Hartford, Conn.) for having purchased radio time and advertising space in a newspaper for the purpose of defeating candidates who had voted for the Taft-Hartley Act.

political contributions as large as most unions can afford to make. As far as equalizing political influence is concerned, it could logically be argued that *no individual's* contribution to political campaigns should exceed the amount which an *average worker* could afford to make. Furthermore, union outlays, unlike those of corporations, are not chargeable to overhead costs and hence included in the prices which consumers pay for a corporation's goods and services. Union contributions would be comparable to a corporation's contributions taken from net profits, that is, funds which would otherwise be distributed as dividends.

There are other arguments, however, in favor of prohibition of political contributions by unions under present circumstances in this country. Without legal restrictions it would be possible for the presidents of some unions (or executive boards dominated by their presidents) to authorize donations of considerable sums to the political parties of their choice,—which may or may not be the favored parties of the membership. The potential political power which this gives to union officers, and its unfairness to dues-paying members is obvious. The situation would be different if the political alignment in this country should ever develop in such a way that practically all union members were unquestionably allied with one political party, as is true in Great Britain and in some other countries.[18]

COMPULSORY ARBITRATION

When labor unions are weak, employer-labor disputes are localized and affect relatively few persons. When there are strong unions in the important basic industries, their conflicts with employers can disturb the general economy and affect the well-being

[18] The British Trade Union Act of 1913 authorized unions to spend money for any political purposes for which a majority of the members voted, and all members automatically contributed except those who individually refused. The Trade Disputes Act of 1927 reversed the method of collection by specifying that each member must individually authorize the union to use his contribution for political purposes. The Conservative party was in power in 1927 and the purpose of this provision was to check the political development of the British Trade Union movement. It is significant that less than twenty years after the passage of the Act the Labor party gained control of the government and one of its first accomplishments was the rescinding of the 1927 Trade Disputes Act.

of the entire population of this nation, and even foreign countries who need our products. Thus, the stronger and more active the labor movement becomes, the greater are the demand and need for finding means to avoid work stoppages, especially in the major or key industries.

The problem is, what effective means does a democratic society have for maintaining industrial peace when the parties directly involved in a controversy approximate equality in bargaining strength? Because of the nature of the problem they attempt to remedy, laws to discourage or prohibit work stoppages must inevitably restrict actions of workers and their unions to a far greater extent than those of employers. Will such laws thereby tip the scale in favor of employers and ultimately destroy the equilibrium necessary for effective collective bargaining?

Fundamental Considerations

In considering the causes and social effects of industrial disputes, the inherent disadvantageous position of workers in relation to their employers and the public must ever be kept in mind. Employers are able to improve their economic condition—that is, increase their profits—without consulting their employees or inconveniencing the public by lockouts. Workers cannot improve or even maintain the existing standards without the approval of their employer; and if he refuses to raise the standards or insists upon lowering them, the only recourse open is to strike. In other words, the workers must resort to overt action that causes inconvenience to the public (as well as to themselves and the employer) in order to obtain conditions of work not readily granted by their employer.

Moreover, the protests and struggles of workers must be carried on in the open. A few employers can meet quietly in a New York office and decide upon a labor policy which will affect hundreds of thousands of workers. The public may never know that there has been any concerted action on the part of these employers, but it is well aware of any concerted action of the employees when they protest the working conditions resulting from this agreed-upon policy.

The inherent inequality in the strategy available to employers in contrast to that available to workers must always be kept in

mind in any consideration of laws to bring about "equality" in the employer-employee relationship and methods for settling their differences. The present discussion, however, is concerned not primarily with the rights of employers versus those of workers, but rather with a consideration of the means available for protecting the general welfare against the impact of disputes between the two groups. The remedies and methods for mitigating their effects upon the public, whether by law or private arrangement, must be fitted to the circumstances attending the various kinds of disputes. The proposed remedies must also take into consideration the merits and deficiencies of alternative measures.

Compulsory Arbitration Compared to Judicial Function

The most plausible sounding remedy for strikes and lockouts is compulsory arbitration. Many well-meaning persons who want to be fair to both employers and workers argue that their differences should be settled by impartial agencies authorized to make decisions which the parties to the dispute must accept as final. Comparison is frequently made to the functions and powers of courts which settle civil disputes and impose penalties for violation of the laws.

This comparison between courts and compulsory arbitration of industrial disputes has only limited validity. It is inappropriate in the majority of disputes which have to do with the terms and conditions of employment to be included in employer-union contracts; it might have some cogency with respect to disputes over the application of the terms in existing contracts. Courts function under laws which express the will of the people; the courts merely interpret and apply these laws in individual situations. The people of this country have never expressed their will in legal code as to how the income of business should be distributed between the owners of capital and labor, and how much should be laid aside for future investment. In settling a wage controversy, therefore, there are no laws upon which to base decisions. In the absence of a public mandate as to what are "fair" profits, "just" wages, and "reasonable" working conditions, compulsory arbitration forces the parties involved in the dispute to accept decisions based solely upon what individual arbitrators deem to be expedient.

Implications of Compulsory Arbitration

Employers and unions concur in their opposition to compulsory arbitration, although their opinions may be expressed somewhat differently.[14] Both fear government control of labor standards and the injection of politics into labor disputes which attends arbitration by government mandate. When wages and other working conditions are determined by labor courts or other government agencies, both labor and management must rely upon political action to protect their interests. Inevitably, compulsory arbitration leads to a labor versus a conservative (employer) political party alignment, for whichever group controls the government also controls the conditions under which industries and unions operate.

Under compulsory arbitration litigation supplants collective bargaining, with employers and unions directing their major efforts toward securing favorable decisions from government tribunals instead of trying to arrive at mutually satisfactory terms through direct negotiations. Every arbitration hearing tends to become a battle of wits in which bitterness is intensified as each side inveighs against the other in order to impress public opinion as well as the arbitrators. Compulsory arbitration destroys the essence of collective bargaining—the give and take approach to negotiations and willingness to make concessions. Each party is hesitant to propose compromises for fear the other party will use these better terms as a spring-board for appeal, with the arbitration commission beginning its considerations with the compromise instead of the original terms. Both parties hesitate to reduce the number of their demands in the hope that the arbitrator will grant a portion of them. Both sides tend to use lawyers or professional advocates instead of negotiators, and to place emphasis upon formal preparation of briefs rather than items for discussion.

[14] In some countries—for example, Australia—organized labor favors compulsory arbitration. Significantly, the consequences of compulsory arbitration mentioned in this section have occurred in Australia. For information about actual experiences with compulsory arbitration, see Orwell de R. Foenander, *Toward Industrial Peace in Australia and Solving Labor Problems in Australia,* Melbourne, 1941; W. Rupert Maclaurin, "Recent Experience with Compulsory Arbitration in Australia," *American Economic Review,* March, 1938, pp. 65–81; E. J. Richards, "The Restoration of Compulsory Arbitration in New Zealand," *International Labor Review,* December, 1936.

Compulsory arbitration promotes standardization of employment conditions through entire industries and areas. The awards of arbitration tribunals tend to become binding upon an entire industry, thereby changing the work standards of those who have not come before the tribunals to argue in support of their interests. Under some compulsory arbitration systems in other countries, the industry-wide application of decisions is required by law. Even though not specifically required, the proneness of courts and similar bodies to base their decisions upon precedents tends toward standardization.

Compulsory arbitration does not prevent strikes, as is evidenced by the strike records where this procedure exists.[15] Only a totalitarian government can eliminate strikes, and even these governments cannot prevent slowdowns whose cumulative effects may cause greater losses in production than complete, but brief, work stoppages. In a democratic country people cannot be compelled to work, and public opinion will not long support a law which requires an army to enforce it, and jail penalties or even fines for thousands of persons. And there is ample evidence that sanctions against a few union leaders will not cause the rank and file employees to return to work. On the contrary, such a step sometimes tends to increase their class consciousness and their loyalty to their leaders.[16]

DISPUTES IMPERILING PUBLIC SAFETY AND HEALTH

Although the same objections against compulsory arbitration hold true for all industries, in certain situations compulsory arbitration might be considered to be the lesser of two evils, and

[15] Australia and New Zealand, for example, continue to have many strikes, although compulsory arbitration has been established for many years.

In the United States, as is well remembered, there were many work stoppages during World War II, although what amounted to compulsory arbitration in war industries was provided in the War Labor Disputes Act which gave the War Labor Board authority to "decide the dispute" and order the "terms and conditions . . . governing the relations between the parties."

[16] A British official, when asked why his government did not impose heavy penalties upon those who engaged in strikes during the critical days of World War II gave this very wise answer: "A free government must always be very careful not to expose its own impotence." See footnote 27 for illustration in this country.

thus be adopted in spite of its dangers. Some persons who are not inclined toward legislative action against work stoppages in general, nevertheless favor the control of strike action in industries having a "public interest." There is always the difficulty of determining what industries and occupations should be included in the category of "public interest," and a stoppage in any given industry might be much more serious at one time than at another. A prolonged shutdown of the coal mines or any other basic industry during periods of scarcity or when there are no stockpiles available, may jeopardize the economy almost as much as a stoppage of the railroads. A prolonged stoppage of dock workers or truck drivers may imperil a city's food supply and be almost as serious as a stoppage of any of the public utilities.

Existing Legislation

There are at present two federal laws which provide special arrangements for the adjustment of labor disputes where stoppages endanger the national interest, but neither of these laws explicitly provides for compulsory arbitration. A number of states have recently enacted laws which outlaw strikes and lockouts in (privately owned) public utilities and most of these provide for compulsory arbitration.[17] Some of the compulsory arbitration features of these state laws have already been declared unconstitutional by state courts.[18]

[17] Instead of compulsory arbitration the Virginia law requires a 5-week notice of an anticipated strike or lockout during which time the governor may "seize" the industry and fill the place of employees who "do not wish to work for the state." The utility company must coöperate in training these new employees and wage rates and working conditions remain the same. When all vacancies have been filled, operations are returned to the owners; during the time of seizure the state retains 15 percent of the net profits. Under this kind of law the state becomes a strikebreaking agency and leaves any change in the work contract to voluntary action of the company.

The Missouri law, enacted in 1947, does not provide for compulsory arbitration but for compulsory fact-finding. However, if the workers do not accept these findings and go on strike they lose their seniority rights. Also, the union officials are liable to civil suit for fines. In the two brief strikes which took place during the first two years' operation of this law the penalty clauses of the law were not enforced.

[18] The 1947 amendment to the Michigan Labor Relations Act which provided for compulsory arbitration boards on which circuit court judges were to serve as chairmen was declared unconstitutional in 1948 when the Michigan Supreme Court held that the requirement of judges to sit on the boards was illegal. Also,

The two federal laws are the Railway Labor Act covering railroads and commercial airlines, and the 1947 Labor Management Relations Act. As indicated in Chapter 23, the Railway Act provides machinery for mediation, voluntary arbitration, and emergency fact-finding boards, and disallows stoppages during the specified time these agencies are given to resolve the dispute. But the law does not compel the acceptance of the recommendations of the boards, and there is nothing in the law to prevent stoppages from finally taking place. According to the terms of the Taft-Hartley Act, threatened stoppages affecting "an entire industry or a substantial part thereof" which would "imperil the national health or safety," can be outlawed for as long as 4½ months while various steps are taken to resolve the issues in dispute.[19] But if the various procedures outlined fail to bring about a settlement, the law simply says that the case shall be turned over to Congress "for consideration and appropriate action."

Both of these laws were put to a crucial test in the spring of 1948, and they both failed, in themselves, to avoid work stoppages. In the coal dispute the injunction provisions of the Taft-Hartley

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the Court said, the law "failed to designate standards for the exercise of power which it has delegated to arbitration boards."

The legality of the Wisconsin law for compulsory arbitration in public utilities has not yet (1949) been finally determined. One circuit court judge has held the law unconstitutional and another has held that it was constitutional under the police powers of the state.

[19] The procedure prescribed for national emergency strikes is as follows:

Any time within or at the close of the 60-day notice period the President may appoint a board of inquiry to investigate the issues and make a report to him. Upon receiving the board's report, he may direct the Attorney General to apply for an injunction against the strike or threatened strike, which the court may grant if it determines that the national health or safety is imperiled. While the strike is held up, the parties must make an effort to settle their dispute with the assistance of the Mediation Service but they are not bound to accept its recommendations or proposals. Concurrently the President reconvenes his board of inquiry which, within 60 days, submits a new report giving the current status of the dispute, including the last settlement offered by the employer.

This second report is made public by the President, and within 15 days the National Labor Relations Board must conduct an election to determine whether or not a majority of the employees wish to accept the employer's last offer. Five days after the vote is taken, the results must be certified to the Attorney General, who then moves the court to discharge its injunction. Thereupon the President sends a report to Congress on all the proceedings, together with any recommendations he may see fit to make.

Act were invoked but several stoppages nevertheless occurred, and the dispute was finally settled through the intervention of the Justice who issued the injunction, who personally assumed the role of mediator. When three railroad unions refused to accept the recommendations of the emergency board and threatened to strike, President Truman invoked wartime powers bestowed by legislation enacted in 1916, took over the railroads and obtained an antistrike injunction. A few weeks later the unions called off their strike threat.[20] The significance of these cases is the paramount role which the court played in ending and forestalling work stoppages, in contrast to the failure of the mediation machinery provided in the legislation. In the railroad case what amounted to compulsory arbitration was brought about by use of a court injunction. In the prolonged coal dispute of 1949–1950 the injunctive provisions of the Taft-Hartley Act were invoked but again it failed to terminate the strike. (See page 599.) In this instance the miners continued their stoppage after they were ordered to return to work by their union officers, and the union was exonerated on the grounds that its officers had taken measures to comply with the court orders.

Unresolved Problem of Emergency Disputes

Several conclusions can be drawn from the experiences with emergency strikes, both national and local: first, regardless of any compulsive machinery such as injunctions, government seizure, etc., the final settlement of the dispute is almost always attained through conciliatory processes; second, emergency disputes vary widely in their facts and circumstances and it is unlikely that any machinery can be devised that will guarantee satisfactory handling in all situations; third, the government will find one means or another to prevent serious interruptions in the production of

[20] The Army was put in technical supervision of the railroads but with no instructions to negotiate with the unions, as was the case in 1946 when the Secretary of the Interior, under similar circumstances, negotiated terms with the United Mine Workers which were more acceptable to the union than those it had been able to obtain from the coal operators. As was the case with government seizure of industries because of labor disputes during the war, government control was merely a legal technicality; the companies continued to operate their railroads and to collect and disburse all funds. The unions, calling this "phony" government control, made a gesture for actual government ownership and control of railroads but did not pursue the matter vigorously.

goods and services which vitally affect the public health and convenience and, short of civil insurrection, workers must inevitably bow to the expressed will of the government.

The arguments against compulsory arbitration are as pertinent to these industries as to all other industries and the inevitable outcome would be government control over wages, prices, and profits. Such an extension of government regulation must of necessity lead to a large measure of government control over the actual management of these enterprises. To illustrate: In considering the question of a wage increase, the arbitration board might reasonably conclude that an increase was possible if certain physical improvements or changes in management were installed, and thereupon order such alterations. A law establishing compulsory arbitration must define, at least in a general way, some fundamental yardsticks to be used in determining issues in disputes; for example, what should be considered to be "fair" profits, "reasonable" wages, "good" personnel practices and working conditions.

Above all, the law must insure equal compliance from all parties. If workers must accept the arbitration awards and refrain from striking, it must also be mandatory that employers accept the awards,—at the risk of heavy financial penalties and not the gesture which government seizure has meant in the past. This is more difficult to accomplish because employer resistance does not create the same crisis conditions which arouse public demands for compliance. Employers can delay or refuse to abide by the legally established procedures without causing interruptions in production, and because such refusal results in no extreme emergency, the general public is less prone to demand extreme sanctions.

Compulsory arbitration, even for public utilities, is not something to adopt lightly even though the public (and its legislators) may feel it offers an easy solution to a difficult problem. Employers and unions are justified in their reluctance to endorse it, but workers may in time decide that it is preferable to the outlawing of strikes by court injunction without a fixed guide to settle the matters in dispute.

GOVERNMENT EMPLOYEES

More than six million civilians are employed by the various federal, state, city, and county governmental units. They are engaged

in practically every kind of occupation—street cleaners, skilled mechanics, office workers, schoolteachers, lawyers, and scientists of all kinds. These wage and salaried workers, comprising at least 10 percent of all the employees in the country, have the same needs and desires as employees in private industry. They want "fair" wages, "good" hours and working conditions, job security, and opportunity for advancement. Many of them are performing jobs which are identical in nature to jobs in private industry; some, for example employees in city transportation systems, have become public employees against their own choice when the enterprises they worked for were taken over by the government.

Uniqueness of Employer-Employee Relationship

Even though the nature of the jobs and the personal aspirations of the workers are similar, there are fundamental distinctions between public and private employment. Their immediate work environment and their relations with their immediate supervisors may seem to be similar to that in private industry, but their ultimate employer is a remote and amorphous "public." This in itself restricts the scope of possible negotiations between government employees and their supervisors and administrators, for the latter are also employees of the public who are bound by legal restrictions and who usually do not have the discretionary power to fix wages and work conditions which are almost always fixed by statute or determined by rules (civil service) authorized by law.

The basic difference, in so far as the determination of personnel practices and wages are concerned, is the absence of the "profit" factor in public employment.[21] Wages and work conditions are negotiated, not in relation to their effect upon profits, but upon their effect on taxes. And the taxes available for wages for a particular group of public employees are not always subject to the will of a majority of the taxpayers immediately served by these employees; they may even be restricted by legislation of a past generation.[22] Wages in private industry are ultimately paid by

[21] There are exceptions; some government undertakings are expected to make a profit or at least pay for themselves, including interest on capital investment.

[22] For example, public school budgets are seldom contingent upon appropriations of local school districts alone, but depend also upon state appropriations and legislation. Some tax rates are rigidly controlled through provisions in state constitutions which were enacted many years ago.

those who choose to buy its goods and services. Wages of many public employees are dependent upon taxes paid by persons who receive no direct benefit; in fact may not want their services performed. For example, childless families may be reluctant to have their taxes increased in order to raise teachers' salaries; persons who benefit from laxity in the administration of certain regulatory laws are not eager to pay for adequate enforcement of those laws.

The remoteness and complexity of the employee-employer relationship in government service present unique problems and require different negotiating tactics. To improve their working conditions, or to obtain redress of grievances, government employees cannot appeal to an individual person but must present their arguments to the general public, or to legislative bodies and elected administration officials. How can this best be done and what is the last resort for public employees if appeals and arguments fail?

Few persons question the right of government employees to join or to form unions; there are at present a dozen or more unions of national scope composed wholly of government employees,[23] and many government workers belong to craft and other unions composed of both private and public employees. The controversial issues with respect to government workers are whether the union should be recognized as the sole representative agent for a given group; whether the government unit should bargain in the commonly accepted meaning of entering into written agreements with the union; and most important, whether government employees have the right to use the strike weapon in their efforts to obtain their objectives.

Employee Rights in Relation to Job Function

When considering these controversial questions many persons maintain that all government employment should not be treated alike but that it should be differentiated according to the function of the government service. A government in its sovereign capacity

[23] American Federation of Government Employees (A.F.L.), United Public Workers of America (C.I.O.), National Federation of Federal Employees (IND.), American Federation of State, County and Municipal Employees (A.F.L.), Internation Association of Fire-Fighters (A.F.L.), and a number of unions composed of the various classes of postal employees. The American Federation of Teachers (A.F.L.) includes some teachers in private schools but its membership is predominantly composed of public school teachers.

protects the lives and property of its citizens and administers and enforces the laws—functions which are peculiar to the government and can be performed only by the government. But governments also operate in a proprietary capacity when they undertake construction projects, operate schools and hospitals, transportation, and power facilities. Accordingly, it is argued, when a government assumes functions which are similar to private undertakings, it transfers its activities from the *political* to the *economic* field, and the relationships between management and labor should therefore be the same as those in private industry. The government agency and the employees performing such services, it is argued, should be able to bargain collectively, and the employees should have the right to strike, subject only to the regulations pertaining to workers in similar capacities in private business.[24]

In contrast, government workers engaged in administering and enforcing laws, which includes most of the "white-collar" groups, as well as policemen, firemen, and attendants of institutions to which persons are committed by the government (penal, mental, etc.) are custodians of the sovereignty, and the usual employer-employee relationships are inapplicable. While these persons have a right to belong to unions, it is argued that the union can deal only with individual government administrators on specific grievances. Larger matters of wages and working conditions must be determined solely by the government; also, the workers' final recourse must be limited to appeals to the public and its legislators.

Many persons do not agree that differences of function in government employment justify differentiation in the rights and privileges of various classes of public employees. This opinion holds that where the public interest demands the taking over of a private enterprise for public use, that in itself changes the employer-employee relationship and these employees must yield to the general public interest. Accordingly, no government agency can nego-

[24] In 1944 the California Superior Court (*Nutter, et al.* vs. *City of Santa Monica*) ruled that the city's "operation of buses is not a municipal affair but an enterprise" and the city acting in this proprietary and private capacity was subject to the state labor code and must bargain with the union. In 1946, at least 40 cities had formal agreements with unions covering certain classes of employees. The Tennessee Valley Authority has always followed the practice of negotiating and signing bilateral agreements with its construction employees' unions.

tiate agreements with its employees because no individual official and no type of government agency can bargain over matters involving public expenditures. Above all, no government employees, regardless of their occupation or function, have the right to strike against the government.

Statements against the right of government workers to strike have been made by persons of widely different political views and under widely different circumstances. Calvin Coolidge became president largely as a result of his stand as Governor during the 1919 Boston police strike when he said "One cannot strike against the government." President Hoover stated "No government employee can strike against his government and thus against the whole people." President Franklin D. Roosevelt stated in a letter to a government union, "A strike of public employees manifests nothing less than an intent on their part to obstruct the operations of government until their demands are satisfied. Such action, looking toward the paralysis of government by those who have sought it, is unthinkable and intolerable." When municipal transportation employees threatened a strike in New York City, Mayor LaGuardia asserted that "the city does not and cannot recognize the right of any group to strike against the City." In 1947 when the government temporarily took over the coal mines for the purpose of terminating a work stoppage, the U. S. Supreme Court implicitly held that the protections against injunctions provided in the federal Anti-Injunction Act were not applicable to government employees.

Attitudes of Government Workers

The constitutions of all the important unions of government employees forbid strikes against the government,[25] and in this country there has never been a strike of federal or state employees engaged in the sovereign function of government administration. Since the 1918 strikes of fire fighters in several cities and the famous Boston police strike in 1919, the same has been true for

[25] Most of these antistrike provisions have been in effect for many years. The C.I.O. United Federal Workers inserted its antistrike clause in 1947 after Congress had attached riders to appropriation bills specifying that funds should not be used to pay salaries of persons belonging to unions which asserted the right to strike against the government.

municipal employees who are engaged in law enforcement and protection of life and property. So long as unions of our government workers retain their present character of *economic* organizations, it is unlikely that there will ever be strikes in such government services. (The situation would be entirely different if the unions ever came under the control of persons who surreptitiously sought to use them as instruments for political revolution.)[26] But there have been, and continue to be, strikes by public employees in those capacities commonly classified as proprietary functions of government.

Experience amply proves that when conditions become intolerable, public employees will protest in spite of official dictum and legal penalties.[27] An illustration is that of schoolteachers, persons largely of "middle-class" background and "conservative" leanings, who nevertheless have engaged in strikes after exerting every other means to arouse the public to an appreciation of their plight. Without such dramatic action, it is doubtful if the public could have been shocked out of its complacency even though it was aware of their low salaries. With all the dangerous precedents and inconveniences which these strikes cause, it is a question whether it is not better in the long time public interest for some strikes to occur, rather than to have educational and other public service standards become progressively worse. (One teachers' strike, for

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[26] In the summer of 1948 our occupation authorities in Japan, who had lent encouragement to the revival of the Japanese trade union movement, issued a directive denying public employees the right to strike and the right to collective bargaining. This directive came as a result of strikes and threatened strikes by government workers which were primarily political in purpose and called by unions which were under Communist control.

[27] In 1947 New York State enacted a law outlawing strikes against the state and political subdivisions, including municipal agencies. The law provides that employees who strike are automatically dismissed from their jobs; if they are reinstated they lose all their tenure rights for a 5-year probationary period and may not receive a salary increase for at least 3 years.

The first test of the effectiveness of the law came during the spring of 1949 when garbage collectors in Yonkers went on strike following their inability to negotiate a grievance regarding pay for Sunday work. The city tried in vain to recruit new employees and to contract out the collection of the garbage to private concerns. As the danger to public health became acute the city obtained a sweeping court order banning continuation of the walkout. When the court injunction proved as ineffective as all previous measures, the city officials met with the union representatives and a settlement was reached whereby the city agreed to reinstate all the strikers.

example, was successful in thwarting a plan to shorten the school term by four weeks as an "economy measure"—in a large, thriving city in the prosperous year of 1948.)

It would appear that the solution is not in punitive measures and threats of retaliation against everybody who "strikes against the government," regardless of circumstances. Most government workers employed in capacities connected with the sovereign function of government—law enforcement and administration—appreciate the uniqueness of their position and its consequent limitations. For those employed in work similar to that in private industry, it is questionable whether the fundamental distinction should be *government* versus *private* employment, or the nature of the employment itself, and the consequences to the public of a stoppage of work.

FUNDAMENTAL TESTS FOR EVALUATING REGULATORY LAWS

The most immediate and practical test for appraising the value of any legislation is: Can the law be enforced and will the given regulation accomplish its intended purpose if it is enforced?

With respect to labor regulatory laws, it must ever be kept in mind that workers in a free country cannot be forced to work, and that it is utterly impractical to write laws whose enforcement depends upon the power of the government to put thousands of persons in jail. The problem of the enforcement of any law which large masses of people consider unfair and inimical to their interests is an entirely different matter than the enforcement of a law to control misdemeanors of individuals. Moreover, adherence to fiat rules does not always result in correcting the situation which the law was intended to rectify. If persons who feel that they have a just cause or grievance are deprived of one means to obtain their ends, they will seek other methods.

A second test is: Will the imposed regulation endanger the liberties which are the cornerstone of our democracy, and the freedoms which are essential to our competitive enterprise system? It is not alone a question of preserving the fundamental rights of workers as citizens, important as that is. Laws to regulate the activities of labor unions will inevitably have far-reaching effects

upon the whole nation's way of life because regulations enacted for one group, or for one purpose, tend to become precedents and are gradually applied to others. Business has on occasion opposed laws to regulate labor unions because of its fear that similar regulations would be applied to trade associations.

The fundamental principles of a democracy are individual liberty and equality of opportunity. These are in themselves self-conflicting. Equality is a matter of relationships, and whenever the government seeks to establish a situation which will promote equality it must necessarily impinge upon the liberties of those who already enjoy the superior opportunities or stronger positions. Democracy in a capitalistic society can exist only when there is approximate balance of power among the major economic groups. Any measures which weaken the labor movement automatically tip the scales in favor of organized capital (whether it be a single corporation or an aggregate of incorporated businesses), even though the measures are imposed for the ostensible purpose of protecting individual liberties.

This does not imply that the government, as the spokesman and protector of our entire political economy, should not establish certain rules by which all groups shall operate. But these rules or laws must be based upon a realistic conception of the inherent inequalities in the employer-worker relationship, and they must seek to preserve a maximum of freedom, and reliance upon mutual restraint of the disputing parties.

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CHAPTER 26

UNION-MANAGEMENT COÖPERATION

DISCUSSIONS OF INDUSTRIAL RELATIONS PROBLEMS, SUCH AS WE HAVE had in the preceding chapter, tend to be negative in that they are concerned primarily with the prevention of controversies and injurious or unfair practices. The avoidance of such occurrences is in itself an achievement and indicates that the parties have established a mutually satisfactory basis for resolving their differences. Industrial peace, when based upon a foundation of collective bargaining, is a manifestation of employer-union coöperation because it involves a willingness to accept compromises and mutually to work out solutions to problems as they arise.

Union-management coöperation, however, can mean something more and beyond the mere attainment of industrial peace. The term is commonly used to refer to specific programs of joint effort on the part of management and workers toward a concrete goal, such as to increase plant efficiency and reduce costs, or to improve the quality of the product or service rendered customers.

Without industrial peace such programs are impossible, but the employer and the union may be satisfied with the achievement of harmonious relations and the avoidance of open conflict, and not seek or even desire to enter into any further joint efforts. They may agree in theory that joint effort to improve the operation of a business enterprise is desirable, but that it is not practical in a given situation. Both the employer and the union, on the other hand, may disagree in principle to the desirability of such cooperative effort on the grounds that each has its peculiar function which tends to be weakened through joint action beyond negotiations over work conditions immediately affecting the employees and the employer.

KINDS OF COÖPERATIVE EFFORT

There are potential pitfalls in union-management coöperation as well as possibilities for constructive accomplishments. So long as a coöperative endeavor is confined to methods for improving internal plant efficiency and achieving lower prices, the result can be beneficial to everybody—the employer, the workers, and the public. If, to promote the success of the enterprise, union-management coöperation extends into areas of controlling competition, fixing prices, or retarding innovations, the result can be detrimental to the public interest and may be in violation of the antitrust laws.

For example, unions have coöperated with the coal and railroad industries in opposing the use of pipe lines from the natural gas fields of Texas to northern and eastern parts of the country, and in the development of the St. Lawrence Waterway. There have been instances in the construction industry where local unions have joined with employers in boycotting materials from other areas in order to promote "home" industries, even though such materials were produced under union conditions elsewhere. The unions in some industries have joined with the employers in seeking high protective tariffs and government subsidies. In some instances employers have accepted unionization for the primary purpose of obtaining union support in their efforts to forestall or discourage competition.

"Coöperation" Under Fascism

Union-management coöperation carried to its extreme limits could lead to a corporate society in which the general economy would be divided along industry lines. In such a political economy, horizontal class competition between employers and employees would give way to vertical functional groupings in which the employers and workers within each industry (or plant) would be united to promote the interest of their particular industry or enterprise. Such an arrangement was embodied in the original plans of Italian fascism which provided for a hierarchy of joint associations of capital and labor (both called corporations), headed by a national council of corporations. The philosophy of Italian fas-

cism initially was a fusion of syndicalism and nationalism, but the former soon gave way to the latter. Nationalism maintained that the sovereignty of the state left no room for class struggle, that there should be solidarity of capital and labor. In practice, it required the dissolution of free trade unions and the substitution of government decrees for collective bargaining contracts.

"Coöperation" Under Communism

"Union-management coöperation" is a pillar of the economic structure in present-day communist countries, but its operation involves a perversion of the function and character of trade unions as we conceive them to be. In a Soviet country, the union becomes an instrument of the government to enforce duties, not to assert rights of workers; it coöperates with the plant management in the administration of all measures for increased efficiency, whether it be piecework systems or personal deportment of employees. This concept of the function of trade unions is vividly portrayed in an address of the Czechoslovakian premier before the General Confederation of Labor soon after the country was taken over by the communists. In his address the premier urged the introduction of a system of disciplinary courts similar to those introduced in the Soviet Union in 1931.

"These courts," he said, "were introduced to help the mass of workers to fight against disorganization of production in factories and offices and against those who lack work discipline. . . . It is the job of our General Confederation of Labor to create new working morale on the Soviet model. . . . We must lead our workers to collaborate with these courts. . . . Production courts must be recognized as something new. . . . The thing must be done concretely and in reality. These courts must be an active arm of General Confederation of Labor districts. They should not so much punish as educate. . . . In the first case (of discipline) the court will place a 500-crown fine on a worker who does not come to work five times without adequate reason. In a second case a man who does not come to work five times will be called a saboteur and the workers themselves will decide how he shall be punished."[1]

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[1] New York *Times*, August 21, 1948.

Coöperation in a Democracy

Union-management coöperation, it will be seen, can take various forms and by necessity must fit into the political-economic system within which both unions and management operate. The British labor movement is now in the process of carving out the role of trade unions in nationalized industries which are administered by a democratic government. Our discussion is confined to the problems of union-management coöperation under a system of private enterprise as it exists in this country. Within this framework, there are many perplexing questions of just what constitutes union-management coöperation and how much coöperation is possible and desirable. Let us, then, consider some of the problems connected with union-management coöperation at three levels of achievement; namely, coöperative efforts toward maintenance of industrial peace; joint union-management determination of plant policies and work rules; and, lastly, coöperative efforts for the improvement of industrial efficiency.

COÖPERATION FOR INDUSTRIAL PEACE

The substitution of collective bargaining for an employer's authoritarian control of working conditions signifies the introduction of democratic procedure in industry. It also raises additional and unique problems, the impact of which extends far beyond the individual business enterprise or employer (and stockholders) and workers directly involved. As with democracy in political government, rules and laws cannot be enacted with the promptness and arbitrary single-mindedness of purpose as they can under a totalitarian government. Neither can they be enforced with the same rigidity and ruthlessness.

Democracy implies sympathetic consideration of the interests of all persons and groups. Participation of many people in the formulation of policies and rules usually entails delays; ultimate decisions inevitably represent compromises; and enforcement must frequently be tempered by other considerations than rigid obedience to the letter of the law or one person's interpretation of the law.

Business enterprises, like governments, must have rules and com-

petent administration; otherwise there would be chaos and anarchy. Since many individual and group interests are divergent, these rules cannot fit or please all the persons who must abide by them. The interests of workers and employers are never identical except in the limited, though important, sense that both have a concern in the continuance and prosperity of the enterprise. In the very nature of the case, employers and workers approach their tasks from different angles and with different "stakes."

In one important respect the management of a business enterprise is different from a political government. Theoretically at least, in a democratic government those who are responsible for making and administering the laws are coextensive with those who live under them. It is a government *by* the people and *for* the people. A business concern, however, must recognize the interests and desires not only of those directly engaged in the enterprise (managers, stockholders, and employees) but also of the customers who buy its goods and services. In a competitive enterprise system a business concern must produce what consumers want and at a price at which they will buy; and under normal conditions in a buyers' market there is active competition among business concerns for the consumer's dollar. This competition is not limited to concerns producing the same kinds of goods and services but extends across industrial lines. Coal must compete with oil; railroads must compete with bus and air transportation; laundries and beauty parlors must compete with mechanical home appliances which perform the same functions.

Peaceful Negotiation of Contracts

The avoidance of employer-labor disputes is a prerequisite for any further coöperative action. Without an atmosphere of industrial harmony, no constructive programs are possible because the impact of labor disputes reaches beyond the immediate losses in production, profits, and wages. Strikes and lockouts can, and frequently do, cause disruptions which far outlast the effects of the monetary losses. When a strike is called in protest against conditions which all the workers and the community agree are flagrant oppressions, the open conflict, if successful in removing the recognized injustices, may result in a healthy awakening and cohesion of the community consciousness. Not always, however, is there

such unanimity of feeling over the wisdom of undertaking strike action among the workers themselves or the community. Emotions and frictions become more intense if the strike is prolonged and if the final conclusion brings dubious results. Some strikes have caused irreparable breaches within union ranks, within and among the families of the workers and community groups, as well as bitter animosities between the employer and employees.

The most serious work stoppages occur as a result of controversies over the terms to be included in new contracts. Peaceful negotiations of new employer-labor agreements are contingent upon the presence of two basic factors; first, a wholehearted acceptance of the mechanism of collective bargaining and, secondly, a willingness to allow an impartial agency to decide issues which cannot be resolved through direct negotiations between the parties themselves.

Full acceptance of collective bargaining presupposes that the question of union status is no longer an issue, and that bargaining is focused entirely on economic and plant matters. There can be no collective bargaining in the real sense when there are suspicions that one side is seeking or hoping to weaken the collective mechanism. Therein lies the real danger in some of the recently enacted legislation. Irrespective of the possible merits of some of the provisions in the recent federal and state restrictive laws pertaining to labor relations, they have created an atmosphere which is not conducive to peaceful collective bargaining because labor *feels* that the laws are intended to weaken and destroy unions. So long as this *feeling* persists, regardless of its justification, peaceful, constructive collective bargaining cannot be pursued.

On the other hand, employers likewise may be suspicious of labor's sincerity in making collective bargaining function, if the union through its press and public statements of its leaders charges the company with trying "to break up the union" when the real issue is a specific matter of wages or working conditions. Significantly, the parties to a recent agreement in the automobile industry which has witnessed much strife, felt called upon to issue this statement:

> The Union and the Company disapprove and will discourage their membership or representatives to use or issue statements in their of-

ficial papers, handbills, newspapers or other literature which are inconsistent with amicable industrial relations between the parties. Each will encourage collective bargaining in good faith to achieve full industrial harmony.

Even though there is no reason to suspect that employers, either directly or through political influence, are seeking to weaken organized labor, and both sides are sincerely trying to make collective bargaining work, serious controversies are bound to occur over specific terms to be included in new contracts. The more serious they are, the more likely it will be that those directly involved will not be able to reach mutual agreement. When this occurs the only alternative to economic strife is submission of the issues to an impartial agent. At the present time in this country, both employers and unions are reluctant to submit major issues, such as wages, to outside fact-finding and arbitration agencies for settlement; with some important exceptions, they prefer to gamble on their own economic strength.

Contract Observance

The signing of a formal contract embodying the terms of employment does not preclude controversies from arising while the contract is in effect, but such controversies should not lead to work stoppages if the contract includes machinery for appeal of grievances, which most of them do. When stoppages occur, they usually signify violation of the terms of the contract. Inextricably tied in with the question of agreement observance are the problems connected with the interpretation and application of the agreement in particular situations. When stoppages occur under no-strike agreements, workers usually claim that the employer (or his foreman) had already violated the agreement and that the strike, in reality, was for the purpose of obtaining observance.

No matter how carefully an agreement is phrased, there can always be differences of opinion with respect to the meaning of certain clauses when applied to specific conditions.[2] Furthermore,

[2] An outstanding example is the controversy with respect to the termination clause in the agreement negotiated by the government in May, 1946, with the United Mine Workers. (See page 595). Presumably, the best lawyers in the government and the union drew up the agreement, but when the crisis came six months later there were diametrically opposed views among the legal

no agreement can foresee and cover all the contingencies which may arise in the day-to-day operation of a business enterprise. Honest differences of opinion as to the meaning of particular clauses are bound to occur. Also either party may be inclined to take advantage of an ambiguous or "blind-end" clause in such a way as to force the other party into a technical violation while pursuing a reasonable end.[3]

Most stoppages occurring while agreements are in effect are spontaneous actions of the rank and file workers and are not authorized by the union. (They are commonly referred to as "wildcat" or "quickie" strikes.) But the union must be held responsible to the extent that its officials do not exert all possible pressure to get their members back to work, and do not discipline them for the unauthorized stoppage.

It is not always easy for union officials to do this, however. It must be remembered that it is much easier for management to fulfill its side of the contract than for labor. As one authority on labor problems has observed: "Business has a far more monolithic structure than unions. Top management has absolute control and has far less to do to keep the stockholders satisfied than a labor leader who must meet his men on a day-to-day basis. . . . The top executives have merely to pass the word down the line. But labor has to depend on the loyalty of many men to abide by a decision with which many of them may not even agree."[4]

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fraternity on the issue of how and when the agreement could be terminated. The basis of this disagreement, which is identical to that in many other cases, was the question of which of two clauses superseded the other.

[3] An instance of this kind was recently brought before the National Labor Relations Board. In this case a clause in the agreement specified that it should remain in effect until a certain date "and thereafter until a new agreement has been reached by the parties either through negotiation or arbitration" and that during its life no strikes should be sanctioned by the union. After more than a year of fruitless negotiations following the specified termination date, the union finally called a strike. The company thereupon severed its relationship with the union, contending it had breached the contract. When the issue was brought before the NLRB the Board's examiner said with respect to the extension proviso in the contract: "Given its literal meaning, it would place a premium on delay, because it would enable either party to bind the other to the terms of the old contract indefinitely by engaging in dilatory practices, stretching out negotiations over an unreasonable period, and finally refusing to enter into a new contract." (*Boeing Airplane Company of Seattle* versus *International Association of Machinists*, July 25, 1948.)

[4] E. Wight Bakke, in *Labor and Nation*, June-July, 1946, p. 28.

In practice, agreement observance demands the subordination of claims *under* the agreement to an overall loyalty *to* the agreement itself. It is contingent upon the will and ability of all parties to utilize the machinery provided to settle questions of interpretation and application. As the parties gain experience in the use of this machinery, the process can develop from a stage of merely maintaining peace to one of coöperative effort; from a process of haggling over rights, to one of exploring means for solving problems inherent in the daily work relationships.

. . . As the union and management deal with each other, and as mutual trust and confidence begin to develop, there comes a gradual recognition that the real aim of a grievance procedure is the solution of common problems to the mutual satisfaction of all concerned. . . . In many cases the basic desires of the two parties are found not to be incompatible. When this occurs, the settling of a grievance becomes a cooperative procedure in which both sides attempt to find a solution which is mutually satisfying. To the extent that this happens, the grievance procedure becomes a coöperative process rather than one of collective bargaining. There are some grievances, of course, which involve conflict of interest or desire, and these cannot be handled cooperatively.

It is perfectly possible for union and management to coöperate on some things and to compete on others. What is not possible is for them to compete and to coöperate at once with respect to the same problem. Matters for collective bargaining, involving conflict, cannot at one and the same time be matters for coöperation, involving mutual aid.[5]

A number of employers and unions are now engaging in overt efforts toward making their collective bargaining machinery develop into more than a mechanism for maintenance of peace and protection of "rights." An example is the 1947 contract between the U. S. Steel Corporation and the United Steelworkers which provided for quarterly conferences to discuss problems arising out of the application, administration, and interpretation of the agreement. These meetings are not for the purpose of modifying the contractual provisions agreed upon, nor settling individual grievances, but to develop "coöperative, good industrial relations."

[5] Irving Knickerbocker and Douglas McGregor, *Union-Management Cooperation: A Psychological Analysis*, Series 2, No. 9, p. 5, Massachusetts Institute of Technology, Cambridge.

JOINT DETERMINATION OF PLANT POLICIES

The ultimate test of any employer or union policy, or of their collective agreement on policy, is whether in the long run it helps or hinders the production of goods and services which can be sold in a competitive market. This is not to say that workers should be willing to accept any wages or working conditions which will make it easy for their employer to sell his products by undercutting his competitors. Just as the employer will not long continue in an unprofitable business, so workers may prefer the risks and hardships resulting from the closing down of a business rather than accept work conditions which they consider unduly onerous. It is to the long-time interest of workers, as well as of the general public, that reasonable working standards not be sacrificed even though a particular employer and group of workers may suffer loss of business and jobs.

The crux of the problem in any given situation is, what are reasonable standards, and do any given rules and standards actually promote or harm the business? In most instances the impact of a policy or work rule cannot be immediately and conclusively determined; it cannot be proved that a specific condition has caused or will cause a business to decline or progress; it cannot always be foreseen whether or not a certain work rule or policy will promote or hinder maximum employment. The immediate short-time effect of the adoption of a policy or work rule may be entirely different from its broader and ultimate effect, and the latter may not be anticipated or recognized by the parties directly concerned when the policy or rule is adopted.

In every unionized plant the employer and the union are daily faced with the problem of defining the wavering line separating constructive coöperation from encroachment of duties and responsibilities which may be detrimental to the peculiar functions of each. Let us consider some of the concrete issues within these potential areas of conflict and adjustment.

Management versus Union Prerogatives

Many employers who have conceded, or at least accepted, the principle of collective bargaining for the determination of wages

and general terms of employment are opposed to having work rules and plant policies established through the process of union-management negotiation. They contend that employers cannot properly carry out their managerial functions if they are deprived of their "right" to make decisions and enforce policies necessary for the efficient conduct of the business. They term these functions "management prerogatives" which cannot be shared by unions if the business is to operate successfully.

The issue has its philosophical as well as its practical aspects. One doctrine to which most employers adhere holds that, under common law and the employer-servant relationship, management retains all the authority and right to run its business as it sees fit except with regard to the specific matters which it has relinquished to joint management-union control. According to this concept, collective bargaining is a retreat from the preëxisting legal and moral rights of employers. Therefore, management must exercise caution and not yield too much to collective bargaining, which deprives management of its "natural" and proper functions, and is likely to interfere with the efficient operation of the business.

In contradistinction to this doctrine is the concept that management operates as a trustee for all those affected by the enterprise —those who furnish the capital, those who furnish the labor, and those who buy its products. According to this theory, collective bargaining is a *way* of managing the labor aspects of a business enterprise and not a concession on the part of the owners or managers of capital. Collective bargaining, accordingly, does not imply a retreat from inviolate rights but only a change from former or customary procedures. Implied in this theory is the expectation (and hope) that the balancing leverage of collective bargaining will serve in the long run to promote the interests of owners, workers, and consumers.

In specific terms, those who believe that collective bargaining represents a negative influence on good management maintain that the employer should have the sole right to control the hiring and assignment of the work force, to establish job and quality standards, and to determine such matters as the processes and equipment to be used, the inventories and reserve funds to be maintained, the location of plants, and the subcontracting of work.

Unions, on the other hand, claim that all these activities affect

job and working conditions; that the workers have a stake in their outcome and should therefore have a voice in their determination. For example, the questions of plant relocation and the subcontracting of work not only affect the job security of people already on the job, but influence general wages throughout the industry. If branch plants are established in low-wage areas or work is subcontracted to nonunionized plants, those employed in higher-wage union plants may eventually lose their jobs because of competitive costs, and working standards throughout the industry will inevitably decline. Earlier chapters have shown how the workers' interests—employment, wages, and other conditions of work—are affected by changes in methods of production, job evaluation, and rate-fixing methods.

Even if it is conceded that workers have an immediate interest in plant policies and rules, does it necessarily follow that it is feasible to have these matters determined jointly by employers and unions? If the processes and decisions of collective bargaining interfere with management's efficiency, will not the workers as well as the employers and the general public suffer in the long run? The standard of living of workers, like that of everybody else, rests upon efficient management and high productivity. Restrictive work rules, like high tariffs, may benefit particular groups at the expense of the general welfare.

Determination of Work Rules

So-called "restrictive" or "feather-bedding" work rules place arbitrary limits on the amount of individual output, require the employment of excess workers, or cause duplication of work. Examples commonly cited are the rules of the musicians' union which require radio stations to engage "live" musicians, even though their services are not needed because of the use of recorded music;[6]

[6] In 1946 Congress passed the Lea Act which, among other regulations, forbids strikes to require radio stations to employ "stand-by" musicians.

The same Congress enacted the Hobbs Act which makes it a felony to obstruct, delay, or interfere "by robbery or extortion" with the movement of any goods in interstate commerce. The law was passed after the U. S. Supreme Court had held that a 1934 anti-racketeering act was not applicable to a labor union's efforts to get jobs for its members, even by threats of violence; that the union's insistence that the employer pay the equivalent of union wages to the union is not racketeering if the members are ready and able to do the work

the "laws" of the typographical union which require the resetting of any type borrowed or purchased from another shop, and which stipulate that only journeyman printers may clean up type and perform other tasks which employers think unskilled labor could do just as well; and the rules on the railroads which require full crews for certain jobs which the operators contend could be done by fewer workmen.[7]

The reasons for union work rules are understandable. In some cases they are invoked for the health and safety of union members as, for example, the rules pertaining to the use of poisonous materials. Most generally, however, they are for the purpose of prolonging jobs, and thus assume the aspect of "make-work" or "feather-bedding." While it is natural for workers, like any other persons, to take measures which will protect and promote their particular interests, it is nevertheless true that rules which artificially limit performance are a deterrent to economic progress. They are prejudicial to the long-time interests of both workers and the general economy, and provide no constructive answer to the problem of job insecurity.

Restrictive work rules are most likely to occur when unions take unilateral action, that is, when they adopt specific rules through membership vote, or authorize their officers to prescribe rules by which all members and employers in unionized shops must abide. When these rules are established by unions alone they are not exposed to the give and take of annual collective bargaining where consideration can be given to new or special situations. Most unions do not attempt to establish specific work rules by unilateral action but seek to obtain them through collective bargaining. This is done either by having the specific rules incorporated in their written contracts with employers, or by having a general clause in the contract requiring the mutual consent of the employer and

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even though an employer prefers to hire someone else. The case which came before the court involved New York City truck drivers who insisted that they be employed to drive out-of-city trucks into the city where they were unloaded. If truck owners were unwilling to change drivers at the city limits, the N. Y. drivers insisted that they be paid the equivalent of a day's wages for each out-of-city truck unloaded in New York City.

[7] For additional examples, see Corwin D. Edwards, *Public Policy Toward Restraints of Trade of Labor Unions,* rebutted by Edwin E. Witte in *American Economic Review,* March, 1942, pp. 432–459.

union before there can be any change in existing rules and policies.

There is no unanimity, even among the unions, with respect to the specific rules which shall be open to negotiation at any particular time and place. Some employers, for example, welcome the cooperation of their unions in the establishment and enforcement of safety rules and programs pertaining to quality standards of workmanship and elimination of waste. While some unions coöperate with employers on these matters, others do not wish to accept such responsibilities. In general, unions inject themselves only when they feel the existing rules and policies are injuring or penalizing workers; seldom do they ask for a wider range of responsibility in matters which do not immediately and adversely affect their members.[8]

Disciplinary Controls

The right of an employer to hire and discharge, to transfer and promote, whenever and whomever he wishes, has been traditionally accepted by employers as one of the fundamental prerogatives of management. Employers have considered that their right to select, reject, and discharge their employees as they deemed advisable was as necessary to good business operation as their freedom to buy and sell goods in the open market. Not to be able to choose freely whom he should employ, not to be able to lay off anyone at will, was tantamount to management chaos. Although the "enlightened" employer in the interests of good morale might use the weapon of discharge sparingly, his power and right to dismiss workers for any reason were seldom questioned.

In contrast, a fundamental tenet of unionism is that the individual worker is entitled to his job so long as it exists and he is willing and able to do it; and that job rights are not lost when employees temporarily cease work (strike) in an effort to improve their working conditions. Furthermore, union philosophy incorporates the principle that unions have the right to reserve jobs over which they have jurisdiction for the exclusive benefit of their members, or at least that their members shall have first claim to the available jobs.

Labor bases its claim on the principle that jobs inherently be-

[8] For a discussion of the union side of this problem, see Solomon Barkin, "It Is Impractical to Limit Scope of Collective Bargaining," *Labor and Nation* (New York: Inter-Union Institute, Inc., Vol. I, No. 5, p. 17.)

long to the workers. In former years, as independent artisans who owned their own tools, the workers individually or collectively maintained job control. The fact that technology has deprived them of the tools of production does not divest them of their claim to jobs, for this right follows the job regardless of changing methods of production. According to this premise, workers are entitled to demand the adoption of regulations which they feel will provide the most equitable arrangements for job tenure. Just as the capital used in the enterprise belongs to the stockholders, so jobs or job tenure rights belong to the workers; and the managers of industry must accept both labor and capital on the terms which each offers.

With these opposite claims regarding one of the fundamental elements of manager-worker relationships, it is not surprising that conflicts have arisen as the growing strength of unions enabled them to demand the wider adoption of their principles and rules pertaining to job tenure. Laying aside the theoretical or moral rights claimed by either labor or the employers of labor, let us consider some of the practical problems as they affect the process of management. Does the quality of goods and services suffer when management does not have a free hand over the composition of its work force? Are there advantages to management as well as to labor in having formalized rules and methods substituted for personal judgment or preferences in the control of the work force?

As a safeguard against arbitrary discharge, unions usually insist that the possible causes for discharge be clearly defined in the contract, and that an employee's supervisor must not have the final decision; in other words, an accused employee must be given the opportunity to obtain the intervention of his union and have his case appealed to the highest management authority and perhaps to outside arbitration.

To a disinterested person, these protections against unjust and hasty discharge seem reasonable. In effect, they are not unlike the procedures followed by a few employers before their plants were unionized. In the vast majority of unorganized plants, however, the workers have no protection against the whims and prejudices of employers and their foremen. There have been numerous cases where employees with many years of faithful service have been fired arbitrarily because of some minor infraction of a rule. An impatient and angry foreman has interpreted an employee's an-

swer in self-defense to a criticism as an "act of insubordination" calling for discharge. In many instances of this kind, the higher-up management has disagreed with the foreman's action, as did he himself after his temper cooled; but seldom was the discharge reconsidered, regardless of the injustices wrought the worker and the cost to management of losing an experienced employee. To a dictatorial management, it is more important to uphold the prestige and power of the foreman than to rectify a mistake, no matter how much hardship it causes the worker and his family. Employers who place major reliance upon discharge as a weapon with which to maintain discipline and quality of workmanship naturally resent a union's intrusion upon their absolute powers to discharge at will.

In contrast is the situation in a plant where the union has assumed the responsibility for shop discipline. The local union president has said, among other things, about this experiment in union-management coöperation:

> When a union enters a plant, it brings about a considerable number of changes, one of which is a decentralization of power. . . . The union takes the responsibility for discipline. It's up to the plant superintendent to see that a flow of goods is maintained, to see that good floor arrangements are made so that materials can be processed quickly and efficiently and people have the best conditions to work under. It is up to management to expedite work through the various departments. Beyond that the work with the people, particularly in matters of discipline, belongs to the union.
>
> The new setup means that the union chairman in the department is actually the foreman's partner and that the foreman doesn't have to worry about anything except getting out the work. He is responsible for the technical aspects of the job and the chairman is responsible for the discipline of the people. When disciplinary measure must be taken, all punishments are meted out by the union, and by the union alone. . . . People feel it much worse when their own group or representatives bear down on them because if the foreman gets after them they just think, "Well, that's what he's supposed to do anyway" and write about half of it off because they feel they have their bunch in back of them anyway.[9]

[9] President of International Chemical Workers Union Local #241 (A.F.L.) at S. Buchsbaum and Company, as given in Fall, 1946, bulletin of *Applied Anthropology* in article "From Conflict to Coöperation; A Study in Union-Management Relations."

Seniority and Job Assignment

The use of seniority rules as a basis for layoffs, and particularly for promotions and job assignments, presents more complex problems than the establishment of fixed rules for discharge. Unlike discharge, the selection of workers to be laid off (or promoted) is not an employer-employee issue alone; it also involves the question of choice or preference *among* workers. It is not a question as to whether or not A should be discharged, but as to whether A *or* B should be laid off when work is slack, or whether A *or* B should be promoted to a better job. Moreover, the "bumping" process required by seniority rules for layoffs frequently involves shifting and demoting many more persons than the number actually laid off. This involves administrative costs and delays in production.

In essence, seniority rules connote the substitution of another kind of yardstick for the holding and obtaining of jobs than that of relative merit and proficiency, or favoritism. While the oldest person in point of service may be the best qualified, it can also be true that a junior person has superior or potentially superior qualities. If the latter happens to be the case, the application of strict seniority rules means the difference between having the *most able* person on the job and one with *mere passing* attainments.

Management contends that seniority rules have a two-way impact upon plant efficiency. Not only may persons of lesser competence be appointed (or retained) on particular jobs, but the general application of the seniority criterion offers little inducement for individuals to attain their maximum efficiency; when job security and promotions are primarily dependent upon the mechanical operation of seniority rules, ambition to excel is minimized, with a consequent leveling influence throughout the entire work force. Unions and workers argue that seniority rules have the opposite effect; that the feeling of security and fair play engendered by seniority rules improves morale and encourages good performance. Furthermore, even though an employer (or his foreman) does not consciously practice discrimination, human judgment is fallible, and, in the absence of fixed rules, employees who are good self-advertisers rather than good workers are likely to receive preferential treatment.

Seniority *versus* individual merit as a basis for preferment is an age-old issue which is not confined to industrial workers or employer-union relations. It exists in our military forces and in our halls of Congress, in both of which the practice of seniority largely prevails. Many employers have come to accept the principle of seniority for the rank and file of jobs but they insist that individual ability and other factors should be given dominant consideration in the selection of persons for supervisory jobs and other work requiring unique skills.

Employers concede that seniority rules tend to reduce labor turnover and that this in itself may compensate in large measure for their disadvantages. Young persons of steady work habits are attracted to jobs where they are assured of steady progress up the promotion ladder, and are not prone to change jobs after having accumulated seniority standing. On the other hand, an ambitious, above-the-average person may be impatient with the slow operation of promotion by seniority, and a business which needs some persons of that caliber may not be able to attract or keep them if bound by strict seniority rules.

Promotion and job assignment policies offer one of the most challenging areas for possible union-management coöperation. Anyone who has had the responsibility of administering an enterprise involving more than routine motions is well aware that some types of jobs must be filled on the basis of individual fitness and qualification alone, if the enterprise is to progress. Union members appreciate the value of leadership and other special qualities in the selection of union officers and technical staff. Much of the contention would disappear if employee suspicion of discrimination and favoritism were no longer present. Under such circumstances it is not too difficult for the employer and the union to agree that certain specified jobs should be excluded from seniority coverage, or that on all nonroutine jobs management and the union should confer together concerning appointments. The latter offers the most constructive arrangement for supervisory jobs; for no matter how qualified a person may be for a foremanship position, he cannot succeed if his employees "are against him."

Problems Attendant upon Joint Action

Worker participation in the determination of plant rules presents unique problems in the art of management, but it is a prob-

lem which employers cannot ignore, for the entire history of unionism has been a step-by-step admission of workers into the area once held to be the sole prerogative of management.[10] Not many years ago the determination of wages through the give and take of collective bargaining was generally held to be inimical to "sound" business and economic principles. Much the same attitude now pertains to union participation in the formulation and execution of plant policies and work rules.

The problem is the age-old issue of democracy—translated into terms of modern industrial conditions. The crucial question in any plant situation is how far and in what manner the democratic procedure should be utilized. The problem is not simple or easy for either employers or unions. Management is charged with the duty and responsibility of obtaining maximum efficiency, and at the same time is deprived of its sole competence over functions which it considers necessary for efficient operation. Unions are charged with the responsibility of protecting the jobs of their members and improving their conditions of work. These several responsibilities are not always compatible—at least from the short-time point of view and when applied to certain specific situations.

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[10] This is well illustrated by recent decisions of the United States Supreme Court which have considerably broadened the coverage of issues which are legal requirements for collective bargaining. In two decisions in June, 1948 (*In re Inland Steel Co. and W. W. Cross and Co.*) the Court held that pension and disability benefit plans, even though financed by the company, were included within the statutory terms of "wages, hours and conditions of employment" concerning which there was a legal obligation to bargain.

Pertinent to the present discussion was a decision in October, 1948 (*In re J. H. Allison & Co.*) which confirmed the National Labor Relations Board's contention that an employer must bargain with the union before he gives individual workers merit increases.

In May, 1950, the National Labor Relations Board (*In re General Controls Company of Glendale, Calif. and the International Association of Machinists*) decided that a union has a right to obtain full information from the employer on merit-rating wage increases and promotions even though its contract gives the employer complete control over administering the merit-rating system. The union had asked the company for complete information on the current rate of pay and job classification of each employee and the company had refused to disclose this information on an overall basis but had said it was willing to give the information in individual grievance cases. When the union brought charges of unfair labor practices against the employer, the Board ruled that even though the union had waived the right to bargain on merit increases, it still needed the requested information "in order for the Union effectively to police the existing contract, and in order for it intelligently to bargain with respect to future contracts."

When employers and unions attempt to coöperate in the formulation and administration of plant policies, a *modus operandi* must be worked out based upon the frank acceptance of the immediate divergent interests, and an equally frank recognition by both sides that their ultimate well-being is dependent upon efficient operation of the enterprise. However, union concern in the formulation of company policies does not necessarily imply detailed and direct participation in their execution. As an eminent authority on the science of management has indicated:

> Democratic administration does not mean wide, general voting on all sorts of operating and technical issues. . . . It does not mean that at numerous levels of administrative action the administrator shall be elected by those whose work he oversees. . . . It does not mean that in committees we talk ourselves into inaction because talk is easier than actual productive work. . . . Democratic organization does mean a clear distinction between policy making and policy execution. It means that the process of determining purposes, policy, and method is advisedly seen as shared, and the process of oversight and direction is seen as unified and single.[11]

A recent case study of union-management relations[12] cites the following among other reasons for that industry's long history of harmonious and coöperative relations:

> The company has consulted foremen and union representatives on an almost unlimited range of problems. It has invited union participation in management on a consultative basis.
>
> The line organization of management and the union hierarchy have been effectively used as channels of upward and downward communication with the foremen and shop stewards as key individuals in this process.
>
> Management responsibility has been projected downward and widely diffused. Paternalism has been shunned. Pat formulas and rigid rules have been avoided. A flexible approach has been made on both sides.

[11] Ordway Tead, *Democratic Administration,* Association Press, New York, 1945.

[12] *Causes of Industrial Peace Under Collective Bargaining: Crown Zellerbach and the Pacific Coast Pulp and Paper Industry,* National Planning Association, Washington, D. C., 1948. The National Planning Association is an independent, nonpolitical, nonprofit organization composed of representatives of agriculture, business and labor.

COÖPERATION FOR INDUSTRIAL EFFICIENCY

Joint efforts on the part of the union and the employer to devise and administer programs for the improvement of the business enterprise represent the highest degree of coöperative effort. The object may be to eliminate waste, to improve the quality of production, to increase output, to reduce costs, and to modernize equipment. It may also involve the loan of union funds to a company, the sponsoring of a sales and advertising campaign, or the establishment of a jointly financed stabilization program.

Although there have been a number of experiments with such cooperative programs throughout the years, relatively few have survived for more than a brief period. Some were allowed to lapse when the conditions which occasioned their establishment changed; some because of the waning enthusiasm of their promoters; some as a result of suspicion on the part of the employees that their union was "selling out" to the employer. Others were allowed to lapse when the employer became dissatisfied with the union's "interference" in management. The rarity of union-management programs is understandable when one considers the conditions which are necessary for their establishment and continued success.

Necessary Changes in Attitude

It is a characteristic of human beings, individually and collectively, not to change accustomed ways so long as existing conditions are reasonably comfortable. New patterns of thinking and action are usually the result of a shock from a change in the environmental situation, and in response to a felt need for coping with new or worsening conditions. A joint employer-union program for improving plant efficiency necessitates radical changes in customary habits of thinking on the part of both the employer and employees. Traditional suspicions must be supplanted by mutual trust; feelings of superiority and inferiority must give way to a belief and confidence that all concerned have the ability to make a constructive contribution to the program. This is not easy for either side, and is not likely to take place unless both are faced with an extreme crisis.

The infrequency of union-management programs is attributable

to three major factors. First and foremost is the fact that coöperation presupposes the sincere acceptance by the employer of unionism and collective bargaining in the broadest sense. Unions whose survival is still in danger are not disposed to coöperate but to fight, and this is reflected in the type of union leadership, which is more likely to be qualified for combat than coöperation. Second, union-management coöperation means that the employer must share with the union certain executive functions which he long has exercised without restriction. Many employers regard this as a reflection upon their administrative and executive ability and do not believe that labor is capable of making a worth-while contribution in the managerial field. "Aware of the long period of apprenticeship they themselves have served, many members of management are likely to feel that it is absurd to assume that workers could be of material help in promoting more efficient production. . . . He will feel and say that it is a waste of time. Although he will not be so likely to say it, he will also feel that it is insulting to him to have to accept the help of workers in solving his problems. He believes that he is on top of the heap because of his own ability, and that workers are on the bottom because they lack it."[18]

A third fact is that workers and union leaders fear that cooperation in the introduction of more efficient production methods will lead to layoffs, and to increases in the work loads of those who are retained. Although they realize that over a period of years the economic welfare of employees depends on the profit status of the company or the industry, they believe that the union's function should be to protect workers from speed-up and unemployment rather than to participate in programs which might bring these results. As explained by one authority on labor-management relations:

> The traditional view of unions is that getting out production and keeping down costs is the employer's responsibility. In performing these functions, the employer, as they look at it, needs to be checked rather than helped, and also needs to be compelled to share the gains of technological progress as he makes them. Unions have regarded it as their peculiar function to protect workers against methods of increasing output and reducing costs which are injurious to them. Un-

[18] Knickerbocker and McGregor, *op. cit.*, p. 18.

ions also feel responsible for seeing that the workers share promptly in the gains of greater efficiency. Most unions have felt that they have their hands full doing these two things. Since most unions have been unable, according to their view, to get a fair share of the employer's profits, it has never occurred to most of them that they should help the employer make more money. Likewise, it has never occurred to them that they should endeavor to help management develop new and better methods of production when they already have great difficulty in protecting their members from displacement by technological changes.[14]

This attitude of employees and many of their union leaders is not entirely eliminated even when the employer becomes the government in which labor has the controlling voice. This has been evidenced during recent years in Great Britain under the Labour Government where former union leaders, now public officials, have been faced with the task of improving productivity in nationalized industries. Age-old attitudes are not easily discarded even when the basic factor of private profit for the privileged few has been superseded by production for the national interest. A particular group of workers may continue to feel that it is being asked to contribute more than its share to the general welfare; that protection of its own group calls for action which to others appears detrimental to the general interest.

Incentives for Coöperative Plans

It can be assumed that neither the employer nor the union will ever undertake a coöperative program unless each expects to gain from it. In the past, the initiating effort in the establishment of coöperative plans has come more often from the union than from the employer side. When initiated by unions, the motive naturally has been one of protection of jobs and work standards of union members, rather than to increase business profits. Even though the programs themselves were concerned with improving business efficiency, this was considered a means toward job and union security rather than an end in itself. There have been a few instances in the past where employers have taken the initiative in enlisting the support of unions in programs for reducing costs and improving qual-

[14] Slichter, Sumner H., *Union Policies and Industrial Management,* The Brookings Institution, Washington, D. C., 1941, p. 560.

ity. Now that unions are firmly established in many industries, it is quite possible that in the future the initiative will come more frequently from employers. If unions cannot be by-passed, employers may consider it worth while to seek their active coöperation.

Adverse economic conditions of the industry or the weak competitive position of the plant have been the two primary inducements for the establishment of union-management programs during peace times. Some coöperative programs have been adopted only as a last-minute preventive of company bankruptcy and the loss of jobs of employees. Sometimes, as on the railroads, regularization of employment and reduction in the amount of work contracted out have been the incentives. Competition threatening union standards has been a particularly significant factor. In the hosiery and textile industries, coöperative programs have been developed to enable the union mills of the North to compete with the unorganized mills of the South which possess newer and more efficient equipment as well as lower wage scales. In the men's and women's garment industries, such programs have been instigated to forestall wage reductions and unemployment in "high-cost" or poorly managed establishments, to raise the standards of newly unionized plants to the general level of the industry, and to increase the amount of business generally through advertising and improved merchandising.

Closely allied and interrelated to these has been organized labor's desire to increase its membership and prestige by persuading employers and the public that collective bargaining was "good and not harmful for business." This was the motive of the American Federation of Labor during the 1920's when it gave a good deal of publicity to organized labor's desire to coöperate with employers. The labor movement at that time was on the defensive, and "unhampered" capitalistic enterprise was riding the crest of favorable public opinion. As a consequence, organized labor's traditional class appeal for improving conditions of workers was subordinated to the thesis that unions, by coöperating with management, could bring about greater industrial efficiency than could management alone, thereby promoting the public interest. This effort was not successful. It not only failed to overcome the resistance of employers and the indifference of the general public, but it aroused no enthusiastic support from workers.

Recent Examples of Coöperation

More successful have been the programs initiated by individual unions where the adverse economic position of the company or sector of the industry has influenced active support from the employers. Some of these have been referred to in Chapter 18. More recent examples are the programs in the New York dress and the Philadelphia hosiery industries.[15]

The purpose of the hosiery program was to enable the unionized full-fashioned mills in the North to compete with the unorganized mills in the South which had newer and more efficient equipment. For a number of years Philadelphia had been losing its traditional position as the hosiery center of the country and the workers in Philadelphia mills had been forced to accept a series of wage reductions. In 1938 the union and the employers' association embarked upon a three-year rehabilitation program for the purpose of modernizing the Philadelphia plants. There were two main features. The first involved a departure from the uniform piece-rate system which had been in effect since 1929. This enabled the union to negotiate percentage wage reductions with individual employers, the size of the reduction depending on the financial status of each company and its willingness to install new machinery. The second feature was an agreement between the union and each individual employer in which the employer promised to install new machinery or make certain improvements on existing machinery in return for immediate wage reductions. The union began a program of checking plant efficiency, making suggestions for improved lighting, arrangement of machinery, and other changes of methods. At the end of the three years, most of the Philadelphia plants had installed new machinery, although a number of marginal mills were liquidated. In spite of the reductions in piece rates, there was an increase in average weekly earnings, showing the effect of faster, more modern equipment. Although the formal aspects of the rehabilitation program were completed in 1941 when there was a return to uniform piece rates, union-management

[15] Numerous other programs, mostly confined to one plant or city, could be cited. For one in a service industry see "Labor-Management Coöperation: A Case Study in the Minneapolis Laundry Industry," *Bulletin II*, Industrial Relations Center, University of Minnesota, Minneapolis, 1946.

coöperation in the Philadelphia hosiery industry is still very much in the forefront of union activity.

In 1941 the employers and the unions in the New York dress industry signed an agreement calling for extensive union-management coöperation. The plan was a result of months of study by engineers employed by the union, and was designed to increase the sales and efficiency of New York dress shops. The agreement required employers to provide well-lighted and ventilated work places, fewer interruptions resulting from lack of supplies, and modern equipment. The most unique feature was the power given the impartial chairman, selected jointly, to establish rules and standards of efficiency if the two parties could not agree on them. If a backward employer failed to adopt suggestions to improve his efficiency, the impartial chairman could assess damages, the funds thus raised contributing to the support of the program for advising manufacturers on more efficient methods. The plan also provided a promotion program under which the New York Dress Institute, Inc. was established to promote New York fashions and sales and to serve as a clearing house between various branches of the industry.

In 1942 the War Production Board, as a part of its intensive drive to raise production levels, began a campaign for the establishment of labor-management committees in all war plants. Among the problems which the Board suggested as suitable for committee consideration were improvements in method or design, plant maintenance and layout, care of tools and equipment, conservation and salvage, nonfinancial incentives, absenteeism and turnover, safety, nutrition and health, transportation and housing, war bond and blood donor drives. Although there were over 3000 plants with active committees by the close of the war, it was evident that many had been organized simply as a gesture of compliance to the WPB request or as a means of handling strictly wartime activities such as transportation, rationing, etc. A large majority of these committees were discontinued at the end of the war, although more than 200 remained active as late as 1947. The problems with which these latter committees were concerned, in order of importance, were as follows:[16]

[16] *Monthly Labor Review,* August, 1948, pp. 123–126. Of the total 287 plants reporting active committees in 1947, 64 were nonunion plants. For a more com-

Problem	*Percent Reported Active*
Safety	85
Production	77
Employee suggestions	75
Work quality	69
Absenteeism	64
Health	58
Care of tools	57
Recreation	46
Time standards	32
Job training	30
Job evaluation	30
Employee welfare	29

Future Prospects

Despite the short life and limited activities of the majority of the wartime coöperative committees, the war experience indicates that a large degree of employer-worker coöperation is attainable during a period of national crisis. The prospects of coöperative effort for the improvement of industrial efficiency during normal peacetime is not so evident.

There are several factors in the present situation which are adverse to experiments in coöperative endeavors. One of these is the effect of the recent legislation, both federal and state, which unions consider to be "antilabor" and which, therefore, have tended toward creating friction rather than coöperation. The effect of these laws has not only created a general atmosphere which is not conducive to coöperative efforts, but they have caused changes in personnel on union staffs and emphasis of programs which in themselves are deterrents. A necessary prelude for the acceptance of a coöperative plan by workers is a long and painstaking educational program to help them overcome their traditional suspicions, and to enlighten them on the economic facts which call for remedial joint action. Looking toward that end, a number of unions during the decade before 1947 had established education departments staffed with economists and engineers. Since the passage of the Taft-Hartley Act, many of these educational programs have been abolished or drastically curtailed; lawyers have supplanted economists on union staffs when the pressing and immediate need for

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plete account of the activities of these committees see deSchweinitz, Dorothea, *Labor and Management In A Common Enterprise,* Harvard University Press, 1949.

legal defense took precedence over long-time programs of education.

A reverse factor, namely, the existing strong position of unions, may cause a disinclination to embark upon coöperative programs in some industries. In the past, one of the chief purposes of cooperative plans was to protect wages and work standards in unionized plants against the competition of lower standards in unorganized plants. At present, unionization has expanded to such an extent in many industries that there is no longer the problem of competition between organized and unorganized sections. In those industries where nonunion competition still exists, it is more likely that unions will expend their efforts in organizing drives in order to bring the entire industry up to union standards rather than in programs whose purpose is to meet nonunion competition. Even though the unions may not always be successful in getting collective bargaining throughout the industry, so long as they are sufficiently strong to be a threat, nonunion employers will be inclined to approximate or even better union standards in order to forestall unionization, thus removing the competition of lower work standards.

There may be an inducement for coöperation even though competition between union and nonunion sections of an industry has been overcome; namely, the ever-present problem of interindustry competition for the consumers' dollar. In this day of rapid innovations of new processes and inventions of new products, very few industries are free from the ever-present hazard of substitution. If, because of high prices or for other reasons, an industry is losing its market because consumers are diverting their purchases to other goods or services, the employers and the unions may be incited to joint effort to improve efficiency in order to bring down costs or to improve the quality of its product or service.

Whatever the competitive situation may be, there is always the basic problem of making a business increasingly prosperous. Workers through collective bargaining may be able to obtain an increased share of the business income but beyond a certain point, further wage increases are contingent upon further increase of business income. There is not only the question of division of the pie, but the problem of increasing the size of the pie so that there will be more to divide. Combat and union pressure may succeed in

procuring for workers an equitable share of the business profits, but if neither side is satisfied with its share, each may decide that it is worth while to coöperate for the purpose of enlarging the total amount available for division.

The "may" is used advisedly for there is nothing inevitable in such a development. Adverse economic conditions do not in themselves cause a desire or a willingness for employers and unions to enter into coöperative programs. For reasons already mentioned, the employer may consider it inadvisable to have the union enter into what he believes to be the unique functions of management. Also he may be unwilling to share profits and thus induce his employees to participate in programs for improving efficiency. The employees and their union leaders may also be unwilling to assume new kinds of responsibility which tend to minimize their traditional role of bargainers.

It is to be expected, and hoped, that there will always be experiments in greater coöperation between management and labor. Some will undoubtedly take concrete form in programs for specific improvements in business efficiency. Most expressions of willingness to coöperate will probably be limited to efforts to make the collective bargaining relationship function smoothly; to prevent interruptions of production, and toward agreement on work rules which will be detrimental to neither management nor workers. These may seem to be negative goals but their accomplishment requires a high degree of positive, joint action. Collective bargaining in its broadest phase is a supreme challenge for coöperative effort on the part of management and workers. It means much more than the determination of terms of the labor contract on the basis of economic power. It involves a teamwork spirit and a process stemming from an acceptance by all parties that management and the union each has its appropriate function which, given a chance to operate smoothly, can bring benefits to all—the employer, the workers, and the consuming public.

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Part Four

Social Security

CHAPTER 27

SOCIAL SECURITY: PRESENT AND FUTURE

EVERYONE WHO WORKS FOR HIS LIVING, WHETHER IN INDUSTRY, commerce, or agriculture, faces the risk that his earnings will be cut off at a time when there is still urgent need for them. Even in the most prosperous times, individuals become too old to work; they become unable to work because of injuries or sickness; they die without having been able to make adequate provision for the support of their families. Those who work for wages and salaries are confronted by the additional risk of involuntary unemployment.

When earnings stop, some substitute is necessary, because individual savings alone are frequently not sufficient to fill the gap. Relatively few persons earn enough during their entire working lifetime to permit the accumulation of savings adequate for the years which follow retirement. If earnings are cut off prematurely and unexpectedly, particularly during the period when a worker is young and his family responsibilities are greatest, there may have been neither time nor opportunity to accumulate any savings. In the past, the only recourse for families faced with the necessity of finding income to substitute for the breadwinner's earnings was for the mother to leave her family or for the children to leave school and accept gainful employment, or for the family to turn to relatives, to friends, or to charitable organizations.

This country embarked upon its first large-scale program to fill these gaps in income security in 1935, with the Social Security Act. Previously, there had been no continuing government-sponsored programs to assist workers and their families during times of emergency, except some state programs that provided compensation for industrial injuries.[1]

[1] As indicated in chap. 7, government-administered emergency relief programs were in operation when this Act was passed, and local and state governments had undertaken emergency relief measures on occasion in the past.

The term "social security" in its broadest aspect covers programs of employers, workers, and other private groups, as well as government activities. However, it is customarily used in a more limited sense to mean the various government-sponsored insurance, assistance, and welfare programs designed to provide benefits and services to the aged, the sick and disabled, the unemployed, and widows and children.

The term "social security" originated in the United States and was first used in 1935 but is now used throughout the world. The term "social security" is broader than "social insurance" because it also encompasses noninsurance programs, such as public medical services, children's allowances, and noncontributory pensions, and such related programs as workmen's compensation. Private insurance, employer and union insurance plans, and compulsory social insurance plans may resemble each other in one way or another. In many cases private plans become incorporated in public plans or there are mixed arrangements as under workmen's compensation. For these reasons the more general term "social security" is useful, particularly when reference is made to the varying plans of different nations and the evolving trends both in the United States and abroad.

Social security programs for workers and their families have an impact on wages, prices, profits, savings, incentives for work, regularization of employment, and employer-labor relations. Thus social security is a vital phase of labor economics.

GENESIS OF SOCIAL SECURITY

The origin and development of social security as part of the field of labor economics has several aspects. The desire of the individual for some measure of security is a basic reason for the organization of unions as well as for various collective activities of employers and consumers. Social security programs are a particular form of collective action which individuals, unions, and employers in many nations have found meet a need that is not satisfactorily handled solely by individual action.

Gradual Acceptance of Public Responsibility

The initial impetus to the modern development of social security plans was given in 1883 when Chancellor Bismarck of Ger-

many inaugurated a social insurance program in order to stave off a growing trend toward socialism. The adoption of health and unemployment insurance in Great Britain some twenty-five years later stimulated activity in the United States for similar programs as part of a general program for labor legislation.

The search for security is not a new aspiration for the individual or a new responsibility for government. While objectives have not changed, new ways and means have been applied to the timeless quest for security. In earlier days the son's responsibility for the care of his parents was the most important method of providing security for the aged. But as the relentless forces of industrialism swept forward, it became inevitable that the responsibility of the individual must be supplemented by the affirmative responsibility of the whole community. Early American social services were, on the whole, limited in scope, local in character, and usually negative in spirit. When we view them in perspective we see an evolution from a local, voluntary, privately provided set of services to a network of services that is for the most part publicly supported and administered. Once health, education, and job placement, for example, were looked upon as exclusively private responsibilities of the individual. Today, there are public school and public health activities and a nation-wide system of public employment offices, all of which have come to be accepted as part of the general community's social services.

The main body of British and American social security services evolved from three main sources: the poor law, public education, and labor legislation. The care of needy individuals and universal public education saw the earliest applications of the fundamental principle of community responsibility for social services which could not be provided adequately on an individualistic basis. This principle has merely been applied in more extensive and diversified ways as time has progressed and as new social problems have been recognized by the community. Social insurance and related services have become one of the significant modern social inventions and eventually have grown to be important in all countries of industrial status.

In the United States public responsibility for new social security services developed somewhat later than in Europe. At first compulsory workmen's compensation legislation was opposed, as was the extension of free public employment offices, as an un-

necessary interference with the freedom of the employer and the employee. Old age pensions were opposed because they might discourage thrift and promote indolence. Unemployment insurance was opposed on the grounds that it would encourage layoffs on the part of employers and discourage those laid off from promptly seeking other jobs.

THE SOCIAL SECURITY ACT

It was the catastrophic world-wide depression of the early 1930's which brought new insights into an old problem. In June, 1934 President Roosevelt sent a message to Congress in which he painted in broad, bold strokes a picture of existing needs and forthcoming developments, saying: ". . . We are compelled to employ the active interest of the Nation as a whole through government in order to encourage a greater security for each individual who composes it."

The President thereupon created a Committee on Economic Security to study the entire problem of social and economic security and make recommendations to him. This Committee's basic recommendations were embodied in the Social Security Act of 1935.

Social Security Act of 1935

The 1935 Act made provision for four major types of programs. First, it provided federal grants to the states for three forms of public assistance: to the needy aged, the blind, and dependent children. Second, it provided a tax program which encouraged states to enact unemployment insurance laws and expand their employment services. Third, it established a federal system of old age insurance for persons working in industry and commerce. Fourth, it provided additional federal funds for the extension of state public health and rehabilitation facilities and for the development of state maternal and child health programs.[2]

[2] The original provisions in the Social Security Act of 1935 have in the meantime been changed in the following respects: The federal social insurance premiums were incorporated in 1939 in the Internal Revenue Code; the federal grants to states for vocational rehabilitation were incorporated in 1943 in a separate law; the federal grants to states for public health services were incorporated in 1944 in the Public Health Service Act; federal administration of the unemployment insurance program was transferred to the Department of Labor in 1949.

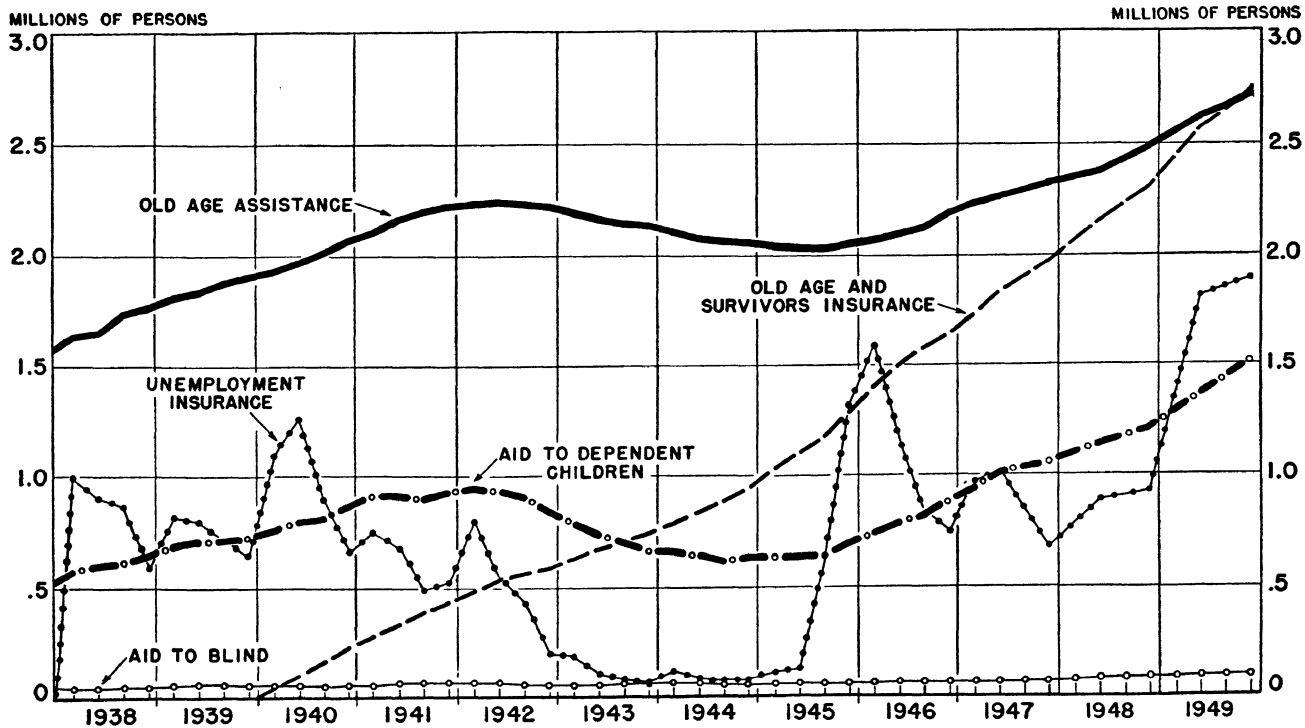

FIG. 32. *Social Insurance Beneficiaries and Public Assistance Recipients Under the Social Security Act, 1938–1949.* (*Source: Federal Social Security Administration.*)

Thus, the Social Security Act aimed to attack the problem of insecurity on two fronts: first, by providing safeguards designed to reduce dependency through the operation of old age and unemployment insurance, the expansion of employment services, and public health, vocational rehabilitation, and maternal and child health and welfare services; second, by providing more adequate relief for existing needs of persons already aged, blind, or dependent in childhood. The only program in the legislation solely administered by the federal government was federal old age insurance. All the other programs provided for state administration with financial aid from the federal government.

Amendments to the Social Security Act, 1939–1948

In 1939 the Act was amended to expand the federal old age insurance system to include monthly survivors' benefits to widows, children, and dependent parents. This changed the character of the benefits from an individual to a family basis. In addition, coverage was extended under the federal old age and survivors' insurance system to seamen, bank employees, and employed persons sixty-five years of age or over. Bank employees were also brought under unemployment insurance. On the other hand, the exclusion of "agricultural labor" was so broadened as to exclude an additional 600,000 individuals from the protection of both insurance systems. In 1946 the Federal Unemployment Tax Act was amended to include maritime employment.

In 1948 two measures were enacted, both over President Truman's veto, which restricted the coverage of the insurance programs. One specifically excluded commission insurance salesmen and newspaper venders; the other amended the definition of "employee" to exclude any individual who was not an employee under the usual common-law rules. Several hundred thousand persons who, as a matter of economic reality were "employees" were thus reclassified as independent contractors and deprived of protection against unemployment and old age. (The question of coverage of these quasi-self-employed persons had previously been taken to court and the Supreme Court had held that they were legally entitled to social security protection under the law as originally enacted.)

Social Security Act Amendments of 1950

Legislation enacted in August, 1950, incorporates such major revisions of the 1935 Act that it is justifiably called the "New Social Security Law." In addition to extensive changes in the Old Age and Survivors' Insurance program, which are discussed in the next chapter, the amendments provide federal grants-in-aid under public assistance programs to individuals permanently and totally disabled, and for the payment for medical care in behalf of needy persons. Federal appropriations for maternal and child health and child welfare were increased, and the public assistance and Old Age and Survivors' Insurance programs were extended to Puerto Rico and the Virgin Islands but with somewhat lower payments.

Public Assistance

The Social Security Act, as amended in 1950, includes federal grants-in-aid to the states for assistance to four needy groups: the aged (65 and over), the blind, the permanently and totally disabled who are 18 years of age and over, and to dependent children. The federal share for the first three categories is three-fourths of the first $20 of the state's average monthly payment to recipients plus one-half of the remainder within individual maximums of $50. For children, the federal payments are three-fourths of the first $12 paid by the state per month and one-half the balance up to $27 for the first child and $18 for each additional child in the family. The result of these maximum stipulations is that as states liberalize their grants, a decreasing share of the costs is reimbursed by the federal government. In all categories the term "assistance" includes money payments to the individuals or payments for medical care in the home or hospital.

Each state in order to receive federal funds must have a plan approved by the Social Security Administration. In addition to certain requirements relating to methods of administration and financing, the state program must provide that it is in effect throughout all the political subdivisions of the state and that the state agency, in determining need, will take into consideration any other income and resources of an individual claiming assistance with the one exception that earned income of the blind recipients,

up to $50 a month, must be disregarded. The law provides that each individual denied assistance will be given an opportunity for a fair hearing before the state agency and that there will be safeguards which restrict the use or disclosure of information concerning applicants and recipients to persons directly connected with the administration of the program.

The objective of the individual assistance payment is to supply the difference between any income or other resources the needy person himself has and the amount the state agency finds necessary to meet his requirements. Lack of funds, however, has made it necessary for some states to fix an arbitrary uniform maximum payment for all persons or families, however much greater the need in individual cases may be. Other states have applied a uniform limit to the proportion of the recipient's needs which the assistance payment can meet—for example, some allow the recipient only two-thirds or three-fourths of the amount which the state agency finds he needs.

A vast public assistance program should be only a temporary expedient measure. For wage earners generally, the need for public assistance should diminish as social insurance programs are expanded and liberalized. Our major concern, therefore, is with the insurance programs—their present provisions and how they can be made more adequate.

THE FUTURE OF SOCIAL SECURITY

Throughout the world today there is great interest in the establishment of new social security plans and the extension, improvement, and revision of existing plans. The adoption of the Beveridge plan[8] in Great Britain has stimulated a review of the entire question in numerous other countries. It is clear that social security plans will be subject to many changes during the coming years.

It is very likely that forty or fifty years from now the social

[8] See Sir William Beveridge, *Social Insurance and Allied Services,* H. M. Stationery Office, London, 1942. In 1948 Britain's "Cradle to the Grave" social security system went into effect. The program is financed from government, employer, and employee contributions and provides unemployment, disability, and retirement benefits; medical and hospital care, including dental care and medicines; general assistance to cover any needs not covered by the other programs.

security system of the United States will be greatly different from the system now in effect. Yet from experience in other fields it is safe to say that the future system will be an outgrowth of past experience, that is, of the experience through which we are now going. While it is impossible to outline what the future social security plan will be, it is possible to review briefly some of the major issues which are involved in the formulation of present and future legislation. Although social security in general is now accepted in principle in the United States, there still remain many sharp differences of opinion on particular issues such as the adequacy of the benefits, the costs and methods of financing them, and the methods of administering them.

Opinions on these various questions depend in large part on attitudes on the relation of government to individuals and the effect of governmental programs on individuals. For instance, the most general criticisms of social security are that it makes people dependent upon government, stifles initiative, incentive, and thrift, increases bureaucracy, and levies a cost on the producers of goods for the benefit of nonproducers which retards production.

A detailed examination of each of the criticisms would necessitate an extensive analysis of both economic and political theories as well as an evaluation of actual experience in the operation of social security plans in the United States and abroad. It may be said, however, that despite criticisms and difficulties, social security plans throughout the world have continued to expand. No country which has adopted such a system has ever abandoned it.

A major argument against compulsory social insurance is that "once it has been accepted that compulsion may be laid upon the individual to improve his life, on the ground that his voluntary efforts to improve it himself are unsatisfactory, there is no logical place to stop short of minding his life from birth to death."[4]

An opposite point of view states: "There should be neither conflict nor confusion between social security, properly defined, and that type of security which comes from the exercise of personal industry and thrift. While the one represents the basic protection which can safely be provided through Government programs set up by society at large, the other gives the individual the right

[4] National Industrial Conference Board, "American Affairs," April, 1946; published in *Congressional Record,* May 23, 1946, p. A-3081.

and the opportunity to raise himself and his family to such a level of security as his industry and thrift dictate. They complement each other rather than conflict with each other."[5]

A basic problem of our time is how to maintain maximum freedom in our economic life and also provide security for the individual and his family. There are those who believe that in relieving and protecting the individual against economic hazards we discourage individual initiatve and responsibility, and thereby increase dependency. But there is also ample evidence to support the belief that destitution feeds upon itself and carries in its train evils that increase already existing complex social and economic problems. Social security is designed to set up certain protections for those in distress and thus restore their hope and their faith and make them self-respecting, self-sustaining, and valuable members of society. In achieving this goal, many controversial problems are encountered.

Adequacy and Costs of Benefits

The most important element in any public discussion of the adequacy of social security benefits is the amount of benefits to be provided to individuals. There are, however, other important questions such as eligibility for benefits, their duration, and related problems which also bear upon the adequacy of the protection.

From time to time questions are raised as to whether payment of a maximum unemployment benefit of $20 to $25 a week retards the worker's incentive to become reëmployed. Similar problems also arise, but are not so apparent, with respect to the aged, the blind, the disabled, and widows and dependent children. Numerous proposals have been made by various groups for payment of benefits to the aged as high as $200 per month, although this amount exceeds the average normal income of large numbers of persons.

The level of the benefits raises implications of the relationship of social security benefits to private insurance and other forms of voluntary protection. It also raises the question of how much the

[5] Joint report of the American Life Convention, the Life Insurance Association of America, and the National Association of Life Underwriters, Chicago, 1945.

program will cost, and how much of the income of its producing members the nation wishes to earmark for social security purposes.] For instance, the payment of a $100 per month pension to all persons age 65 or over would amount to almost 13 billion dollars per year. By 1960, the increased numbers of oldsters would bring the total payments to almost 18½ billion dollars.

When the social security program was first established much emphasis was placed on providing benefits—both unemployment and old age—which preserved the individual's equity in relation to his contributions. Under old age insurance, the person's entire contributions were returned to his estate if he died prior to age 65, even though he left no immediate survivors. Under unemployment insurance, the benefits were related almost exactly to the individual's previous wage. During recent years the emphasis has begun to move away from too close reliance on "individual equity" toward the direction of "social adequacy." The elimination of the return of contributions under old age insurance in 1939, and the substitution of survivors' insurance, are one indication of this trend. The addition of dependents' benefits under some state unemployment insurance laws is another.

[Some people who maintain that social security benefits should meet a test of "social adequacy" also believe that all benefits should be the same for all persons on the grounds that such a system would be more equitable and simpler to administer, and would eliminate the need for any reserve funds. Under such a plan the benefits would have no relation to wages. Those who oppose such a flat-rate plan believe that it would inevitably result in the elimination of the contributory insurance features of the program. Since there is objectively no way of arriving at agreement as to what constitutes "social adequacy" in determining the level of benefits, the opponents of the flat-rate plan believe that it would introduce uncertainty and dissatisfaction on the part of many beneficiaries.

The premium rates which workers, their employers, and the self-employed would pay for comprehensive social insurance protection would depend, in part, on the policy adopted with respect to government participation in the program through general revenues. If the coverage of the system is extended to the entire working population or to most of it, a government contribution

from general revenues is consistent with sound fiscal policy. The proposal advocated by organized labor for a comprehensive social insurance program, which contemplates an eventual government contribution of about a third of the costs of the program, proposes a premium of 4 percent of wages and salary to be paid by workers, with a like amount to be paid by their employers. Under this proposal the self-employed, who would not be insured against unemployment or temporary disability but would assume responsibility for the combined employer-employee premium for other benefits to which they are entitled, would pay a premium of 6 percent of their earned income.

Any consideration of whether the population as a whole or any group in it can afford to pay the costs of a comprehensive social security program must recognize that these are by no means entirely or even largely *new* costs. The costs of old age, sickness, and unemployment must be met, whether through individual sacrifice to pay large doctor bills or to support an aged parent, through taxation to finance relief programs, or otherwise. A social security program provides a more orderly and equitable method of meeting these costs; its expenditures represent chiefly a redistribution among people and over periods of time.

Federal versus Local Responsibility

A further question arising in the administration of various social security benefits is the desirable relation between the federal government, on the one hand, and state and local governments, on the other. In 1935, Congress decided that because of the extensive movement of workers from one state to another during their working lifetime, it would be very impractical to establish insurance programs dealing with long-time risks, such as old age insurance, on a state-by-state basis. Permanent disability insurance also involves the same long-run building of rights to and duration of benefits. Accordingly, discussions concerning its adoption generally agree that it should also be administered by the federal government as part of the federal old age and survivors' insurance system.

On the other hand, a good deal of controversy has centered around the question of the appropriate governmental unit for administering unemployment insurance. A similar controversy exists with respect to the administration of a governmental system of

health insurance. The general arguments in favor of a single federal system of social insurance hold that there would be a rational relation between the various benefits, one system of wage records, contributions, simplified administration, and lower administrative costs. In addition, those who favor a national system believe that problems arising out of unemployment and ill health are not confined to state lines, and that pooling the financial risks in a single national system, rather than dividing them into 51 separate state and territorial systems, would be a much more rational approach to a problem of national dimensions.

Proponents of a national system of social insurance contend that it would be quite possible, and desirable, for its administration to be highly decentralized through extensive use of regional and field offices and advisory councils made up of representatives of labor, employers, and the public. This would permit achieving the advantages both of a nationally coördinated and organized system, and of intimate local contact with the actual beneficiaries of the program. Also, it would be quite consistent, under such an arrangement, to make full use of the services and facilities of state and local health and other agencies so that the actual day-to-day detailed administration would be a coöperative undertaking at all levels of government.

Proponents of decentralized state programs fall into two groups, although the position of each is based on the assumption that it has the ability to exert more influence on state legislatures than on the national Congress. First are those who believe that they can obtain, or already have obtained, much more liberal state programs than is possible through a uniform federal plan. An example are the relatively liberal old age pensions which several states have adopted as a result of the organized pressure of old people's groups. At the other extreme are those who are suspicious that "those people in Washington" might be too liberal, or might object to features which they believe are sound. Typical of these are the employers who wish to maintain experience rating in unemployment insurance programs.

Relation of Social Insurance to Private Plans

The inadequacies of existing social security laws have given rise to the supplementation of benefits by private arrangements, such as those provided by unions, employers, and consumers'

groups, and through collective bargaining. Some of these plans have been adopted as a stopgap, with the intention that they will be either abandoned or integrated into the social security program as the latter is expanded and further developed. Some private plans, on the other hand, are advocated for the purpose of discouraging the adoption of a general compulsory social insurance program. This is true of those advocating voluntary hospitalization insurance, voluntary medical care, and private disability insurance.

Life insurance companies have been the notable exception to the rule that existing private groups oppose the enactment and improvement of the social security benefits with which they are directly concerned. This is because the existence of either old age or life insurance benefits under social security does not prevent life insurance companies from selling insurance, but actually gives them a sales argument for the purchase of private insurance to supplement the government insurance. Accident and health insurance companies generally oppose social security programs for temporary disability as well as health insurance unless provision is made in the legislation to permit insurance companies to "contract out" to insure the risk. They argue that the introduction of such insurance administered exclusively as a public system would curtail their activities in this field.

Attitude of Organized Labor Toward Social Insurance

Organized labor at the present time strongly supports the principle of compulsory social insurance for all the major risks. This was not always true, however. At a conference on social insurance in 1916, Samuel Gompers, then president of the American Federation of Labor, endorsed compulsory workmen's compensation and old age pensions but opposed compulsory health and unemployment insurance. He stated that the introduction of such compulsory insurance "means that the workers must be subject to examinations, investigations, regulations and limitations. Their activities must be regulated in accordance with the standards set by Governmental agencies. To that we shall not stand idly by and give our assent."[6] In other speeches he also implied that such in-

[6] Bureau of Labor Statistics, *Bulletin No. 212*, p. 845.

surance might undermine union activity and divert attention from its main efforts at improving wages, hours, and working conditions.

Although a number of the individual unions and state federations of labor had placed themselves on record in favor of compulsory social insurance, the A.F.L. did not officially modify its position until its 1932 convention. At that time, after lengthy debate, the convention endorsed state unemployment insurance "and the supplementing of such state legislation by federal enactments."[7] Specific endorsement of health and disability insurance followed during the next few years.

Although the Federation originally endorsed separate state unemployment insurance programs, in 1935 William Green, president of the A.F.L., supported a federal unemployment insurance plan as a member of the Advisory Council on Economic Security. After the United States Supreme Court validated the Social Security Act in 1937, the Federation actively supported an outright federal unemployment insurance system. Organized labor's endorsement of a federal compulsory social insurance system for all risks, including health insurance, did not take place until 1943 when both the American Federation of Labor and the Congress of Industrial Organizations sponsored the Wagner-Murray-Dingell bill, discussed in Chapter 31.

The present attitude of organized labor toward social security is that a successful first step has been taken. Workers have become familiar with and have endorsed the social insurance principle of pooled risks to lessen individual hardship. They retain self-respect under a system which collects premiums in the years when they have earnings and entitles them to benefits when earnings stop. The most frequently expressed argument by labor organizations in support of social insurance is that the worker's right to protection is clear and undeniable; benefits are paid without regard to other resources and without a "needs" test. Because benefits are related to past earnings, they help families to maintain a standard of living approaching the standard they had when they were receiving current earnings. Also emphasized is the

[7] *Report of Proceedings of the 52nd Annual Convention of the American Federation of Labor*, 1932, pp. 141, 325–360.

fact that the premiums which a worker pays give him a more direct and a stronger interest in the program than he would have if he were paying the same amount in the form of general taxes on his income or property. This view is accompanied by the belief that a program in which workers have a direct interest or "stake" is less apt to be subjected to changes which will endanger their rights as future beneficiaries.

Organized labor believes that social insurance methods should be used in extending protection to groups of workers not now covered, and in broadening the programs to include protection against other insurable risks. At recent conventions the unions have committed themselves to universal coverage of all wage earners, to voluntary retirement at the age of 60, to substantial increases in all benefits, to provision for sick benefits under unemployment compensation laws, as well as a broad program for medical care insurance.

Attitude of Employers

In general, employers' organizations did not take an official position for or against compulsory social insurance prior to 1935, although two decades earlier they had urged that employees as well as employers contribute to workmen's compensation. The Committee on Economic Security appointed to its Advisory Council several employers who supported the Committee's proposals for unemployment and old age insurance but the National Association of Manufacturers opposed the legislation when it was introduced into Congress.

After the 1935 law was enacted most employers and employers' associations became reconciled to the general principle of social security. They continue to disagree with labor on many specific issues, such as the federalization of unemployment insurance and the elimination of experience rating, and the enactment of compulsory health insurance. Most employers opposed increasing benefits under the original Old Age and Survivors' Insurance until the unions in 1950 launched their successful campaigns for employer-financed $100 and $125 a month pensions, inclusive of social security benefits. Employers thereupon joined with labor in seeking a more liberal federal pension program since it reduces the amounts they have to pay under their union negotiated plans.

Attitude of Social Security Administration

Experience with the administration of the existing program has served to confirm the Social Security Administration in its belief that the present system of social security, despite the 1950 amendments, remains inadequate so far as providing all the basic essentials of economic and social security for the country's gainfully employed persons and their families. The chief deficiency, according to the Administration, is the lack of a federal insurance program for sickness and permanent disability. Also the present state unemployment systems provide inadequate and uneven coverage. Only seven out of ten wage earners have insurance against loss of wages due to unemployment, and average benefits paid amount to only one-third of average wages. A much smaller proportion of wage earners are covered by Workmen's Compensation, that is insurance against loss of wages resulting from disabilities arising out of their employment.

The limitations on coverage and the shortcomings in types of risks covered are clearly not due to a fundamental difference in the need for basic protection. The extent of protection against similar risks also varies considerably among the several states. It is entirely possible for a worker to become eligible for benefits under more than one plan, depending on the length and timing of his employment under each system. In reverse, a worker with earnings under several of the programs may not acquire benefit rights under any program. In addition to the problems of eligibility for benefits, there is the problem of equity in the size of the benefits provided in terms both of the comparability among the various systems and of current relationship to living costs.

These shortcomings are not caused by any fundamental conflict over the objectives of social security, according to the Administration. They are due, instead, to the evolutionary development of public awareness of the need for adapting our social institutions to the changing needs of a highly industrialized country. The legislation has grown out of a positive need for action in response to specific situations, and the inevitable result has been a patchwork system, with major gaps in the protection afforded, and certain undesirable overlappings among the separate programs.

The necessary changes can be accomplished most effectively

and economically, the Social Security Administration believes, by a comprehensive social security program based on a national system of contributory social insurance that would enable the great majority of gainful workers and their families to maintain independence in the face of all common threats to economic security. Even with a well-developed contributory insurance system, however, there will always be some persons who will fail to qualify for insurance benefits, or whose benefits prove inadequate for family maintenance. For these groups there should be a supplementary federal-state system of comprehensive welfare programs, including public assistance and family, adult, and child welfare services.

FAMILY ALLOWANCES

Up to the present time social insurance in the United States has been concerned with one major objective—protection against *loss* of income due to particular circumstances such as unemployment and inability to work because of old age and industrial accidents. In a number of other countries programs have been expanded to include protection against *inadequacy* of income, that is, measures for bridging the gap between regular earnings and adequate incomes for larger family units. Even though there is no active movement for such a program in this country at the present time, the fact that most other industrial countries have such programs would seem to justify some consideration of their purpose and operation.

Justification for a family allowance system is based on the obvious fact that there is great variation in the needs of family units for maintenance; that we live and consume as family units but we work and earn as individuals. In an industrial society, wages are determined in accordance with the value of the individual's work; if he happens to be the breadwinner for a family of five or six individuals his wages ordinarily are no more than if he had only himself to support. Variations in family needs are recognized in our private charity and public assistance programs but only for cases of dire need or extreme emergency. In other countries, systems of regular cash payments to contribute toward the support of families, without a means test, are well developed.

During the 1920's family allowance systems were established

in Belgium, France, and many other European countries; in the 1930's they were adopted in several South American countries and in New Zealand. During the 1940's national family allowance programs were established in Canada, Great Britain, and Australia. Britain's Family Allowance Act provides for the payment of five shillings weekly for all children but the first in each family, irrespective of the family's financial condition. The Canadian system, which has been in operation since July, 1945, provides for allowances paid by the federal government out of general tax funds for virtually all children under 16 years of age, in contrast to Britain's which excludes the first child in the family. There is no means test but children must have resided in Canada for more than three years, and those between 6 and 16 years must be attending school in order to be eligible. The monthly grants range from $5 for children under 6 years to $8 for those from 13 through 15 years. This represents about one-third of the average cost of maintaining a child in a family unit at a minimum standard of adequacy. Annual costs to the government are about $250 million in a country with a population of 12½ million.

The cost of a family allowance program in this country would cost from 2 to 5 billion dollars a year, depending upon the amount of the allowances and whether or not payments were made for the first child. As already indicated, neither organized labor nor any other private or public group in this country has sponsored any kind of family allowance program. Organized labor's answer to the problem of support of children is that wages should be sufficiently adequate to enable all sizes of families to live comfortably.

FULL EMPLOYMENT AND SOCIAL SECURITY

It is sometimes stated that social security would be unnecessary if arrangements could be worked out to assure all workers an annual wage or guaranteed employment. It is extremely doubtful, however, that the problem of needy individuals and families could be eliminated entirely, even under conditions of full employment with reasonably high wages. While steady jobs at high incomes would help greatly in reducing the amount of need and destitution, the income of many families would still be reduced or cut off entirely by the premature death, permanent disability,

sickness, or old age of the wage earner. Some wage loss from unemployment occurs even during periods of full employment. As indicated in Chapter 5, it is inevitable that even under the most favorable conditions a certain number of persons at any given time will be temporarily without jobs.

The old age insurance provisions in the original 1935 law, which was enacted under conditions of business depression, were written as part of a general plan to encourage the retirement of older people from the labor market so as to lessen the competition for jobs. However, the level of benefits provided were not high enough to encourage many persons to withdraw voluntarily. Experience during the full employment period of the 1940's indicates that, despite available insurance benefits, most individuals prefer to work if they are physically capable of doing so, and retire only when circumstances require them to do so.

From time to time various proposals have been made to expand the social security benefit programs in order to insure the purchasing power necessary for a full employment economy. One view holds that if we have full employment we can and should provide generous social security benefits as part of a program of high labor standards and humanitarianism. Another view maintains that continued full employment cannot be assured without substantial disbursements under governmental programs, and that it is necessary, therefore, that social security payments substantially exceed the income specifically levied for that purpose in order to offset deflationary tendencies in our economy. These views affect the problems relating both to financing the benefits and to their coverage, amount, and character.

A comprehensive social security program would contribute toward full employment in a number of ways. It would reduce or remove the economic barrier to the withdrawal from the labor market of such groups as the aged, the disabled, and women with young children. It would increase job opportunities in the fields of public and private health. Unemployment insurance facilitates labor mobility, which is necessary to full employment. An even more important aid in maintaining full employment would be the effect of a comprehensive system of social security on the total demand for goods and services.

Effect of Social Security on Sustained Purchasing Power

The payment of social security benefits to persons whose income has been cut off or who are in need has the effect of placing purchasing power in the hands of families, many of whom would otherwise lack it. This purchasing power will normally be spent promptly for consumers' goods. Such additions to consumer demand will in turn give employment to many individuals who otherwise might not have jobs.

The effects of social security payments upon purchasing power will be of special significance in periods when there is a tendency for consumer demand and employment to decline. It is inherent in the very nature of a social security program that the total income exceeds disbursements in periods of high employment and that disbursements to individuals and families increase in periods when economic activity slackens. Thus, social security benefits serve to provide something in the nature of a floor under purchasing power if a shrinkage in the latter threatens. A comprehensive system of social security provisions, therefore, can contribute a great deal toward stabilizing consumer demand and, in turn, minimizing rapid and wide fluctuations in national income and employment.

Whether or not social security can produce a permanent increase in the effective demand for consumers' goods will depend upon the relationship at any time between total payments to individuals and the total amount and sources of the revenues of the social security system. In periods when part of the payments is financed from the reserves or from general revenues which do not themselves curtail consumption, the net effect of the payments will be to increase the total amount of consumer purchasing power. To the extent, however, that the contributions and taxes used to finance the benefits themselves curtail consumption, they serve to offset the stimulating effects of the payments. The net overall economic effect of the program on consumer demand will depend, therefore, upon the relationship existing at particular times between payments that increase purchasing power, and contributions and taxes that decrease it.

The frequency and effects of the common economic hazards

would be less under full employment and, in turn, the cost of providing protection against these hazards would be lower than otherwise. The cost of social security would be lower both absolutely and in relation to the income out of which it is financed. Hence, under a full employment economy, the nation can afford a better and more comprehensive system of social security than might otherwise be possible.

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CHAPTER 28

OLD AGE AND SURVIVORS' INSURANCE

AS LATE AS 1929 ONLY TEN STATES HAD ENACTED OLD AGE PENSION laws, and of these only two (Montana and Wisconsin) were actually paying pensions even in a few counties. Elsewhere in the country old persons without income or support from their families or from private charity were sent to the county poorhouses.[1] During the years 1930–1934 at least thirty additional states enacted pension laws; and with the federal grants provided by the federal Social Security Act, old age assistance programs were expanded throughout the country. Payments provided by these programs are made on the basis of individual need and are financed from general revenues of the federal government and from state and local revenues.

The federal Social Security Act of 1935 also established an insurance program which, as it matures and expands in coverage, should decrease the necessity for public assistance or pensions. The benefits of the federal insurance system are of three broad types: lump-sum death payments, survivors' benefits, and retirement benefits. During 1949 an average of almost 3 million individuals were receiving regular monthly benefits under the Old Age and Survivors' Insurance and the Railroad Retirement Acts and there were about a million additional insured persons aged 65 and over who were eligible to draw benefits whenever they stopped working.

BACKGROUND OF 1950 AMENDED ACT

The first major revision of the original Social Security Act was made in 1939 when the program was broadened to include sup-

[1] Brandeis, Elizabeth, *History of Labor,* The Macmillan Company, New York, 1935, vol. iii, pp. 614–616. One of the arguments used in getting state

plementary benefits to wives (65 years of age or over) and children (under 18) of retired workers, and surviving widows and children of deceased workers. Simultaneously, benefits payable in the early years were increased, while benefits were reduced for unmarried workers with high earnings who would retire after many years of coverage. This was accomplished by basing the benefits on average covered wages rather than on total covered wages. The same premium rates—1 percent on the wages of employees (limited to the first $3000 of wages) and 1 percent on the employer's pay roll—were retained up until January 1950 when they were increased to 1½ percent each.

Subsequent to the 1939 revisions there was much pressure upon Congress by organized labor, the Social Security Administration, and other interested groups, to liberalize benefits and coverage of the program. Action was finally taken largely as the result of two developments—organized labor's successful drives for $100 and $125 a month pensions under private plans financed by employers, and the mounting costs of public assistance.

Almost all the pension plans won through collective bargaining were tied in with the government old-age insurance program; that is, they provided that the stipulated pensions were inclusive of benefits received under the Social Security program. When employers were faced with the fact that their costs for financing these private plans would be automatically reduced if social security benefits were increased, their attitude of passive resistance changed to active pressure for a liberalized government program.

Another factor was the change in economic conditions which had taken place since the enactment of the original law, particularly the increase in the cost of living. The $33 monthly benefit provided a worker with 10 years' coverage under the 1935 Act who had an average monthly wage of $150, actually amounted to less than $20 in terms of 1935 purchasing power. When the maximum creditable annual wage was set at $3000, only 3 percent of all covered workers earned that amount; in 1950 at least 25 percent. Moreover, the number of old people in our population had

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pension acts was that pensions cost less than poorhouse maintenance. In California in 1931 the average annual pension was $275 compared with $484 per poorhouse inmate; in Massachusetts, $312 compared with $539; in New York, $303 in contrast to $406.

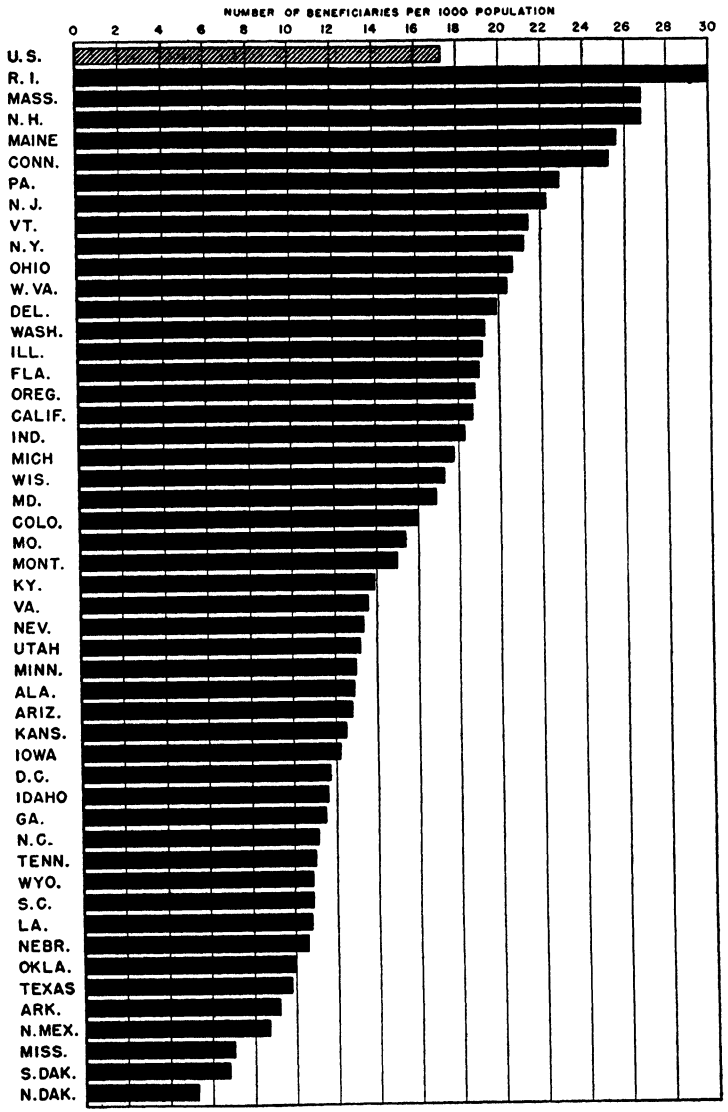

FIG. 33. *Number of Beneficiaries on the Old Age and Survivors' Insurance Rolls per 1000 Population, by State, 1949. (Source: Federal Social Security Administration.)*

increased; during the 15 years following the passage of the 1935 Act the number of persons age 65 and over had increased from 7½ million to 11½ million.

The low benefits and limited coverage of the government insurance program, together with the growing number of aged people, were reflected in the greatly increased expenditures for public assistance. In 1949 the combined Federal, state and local governments expended almost 1½ billion dollars to assist more than 2½ million aged persons. At least 8 percent of these persons were also drawing insurance benefits but because their benefits were so meager they needed extra assistance. Public assistance is financed through general revenues and the mounting burden was a strong inducement to expand the insurance program which is financed directly by the beneficiaries and their employers.

KINDS OF BENEFITS PROVIDED

The amended law enacted in August, 1950, extended coverage to an estimated 10 to 11 million persons, materially increased the amount of benefits for those already receiving benefits as well as those who retire in the future, and greatly liberalized the eligibility requirements for benefits. Most of these changes were effective as of January, 1951.

Seven kinds of benefits are provided under the legislation in effect in 1951:

1. Primary insurance benefits are payable to each insured worker who has reached the age of 65 and is not receiving wages or earned income of $50 per month or more from employment covered under the insurance plan. After the age of 75, benefits are payable regardless of the amount of earnings.

2. A wife's insurance benefit of one-half the primary amount is payable to the wife of any insured person receiving benefits if the wife is 65 years old or over. If the wife has a child under 18 in her care, the benefit is payable before she is 65 years old. This benefit is in addition to the benefit payable to the insured worker. A similar benefit is payable to a dependent husband of an insured wife.

3. A widow's insurance benefit of three-fourths of the primary amount is payable to the widow of an insured man when she

reaches age 65. The benefit is payable whether the husband dies before or after the age of 65. A similar benefit is payable to a dependent widower of an insured woman.

4. A mother's insurance benefit of three-fourths of the primary amount is payable to the widow of an insured person, regardless of her age, who has a child or children under the age of 18 in her care. The same benefits are payable the divorced wife of a deceased worker if she has a child or children by him and had been receiving major support from him.

5. A child's insurance benefit of one-half of the primary amount is payable to each dependent unmarried child under the age of 18 of a parent who is receiving old age benefits. If the insured parent dies, irrespective of age of death, the first child receives three-fourths of the primary amount; where there is more than one child, the amount for *each* child is the sum of (a) one-half of the deceased parent's primary insurance amount and (b) one-fourth of such primary amount divided by the number of children.

6. A parent's insurance benefit of three-fourths of the primary amount is payable to either one or both parents, 65 years of age or over, who were chiefly dependent upon and supported by the deceased individual, provided the insured person leaves no widow (or widower) or children entitled to survivors' insurance.

7. A lump-sum death payment equal to three times the individual's primary insurance amount is payable to the person or persons assuming responsibility for the insured person's burial expenses.

CONTRIBUTION RATES

The 1950 law increased from $3000 to $3600 the limit on total annual earnings on which benefits are computed and contributions paid. For wage earners, both the employer and employee share equally in tax contributions; self-employed persons pay 1½ times the tax rate, that is, 75 percent as much as the combined employer-employee rates. Rates are gradually increased over the years to take care of the increased costs of the program as more and more people become entitled to retirement benefits. The schedule of rates is:

Calendar Year	Employee	Employer	Self-Employed
1951–53	1½%	1½%	2¼%
1954–59	2	2	3
1960–64	2½	2½	3¾
1965–69	3	3	4½
1970 and after	3¼	3¼	4⅞

AMOUNT OF BENEFITS

The federal old age and survivors' insurance plan incorporates two principles, namely, individual equity and social adequacy. Benefits are determined on the basis of the relationship of past earnings, but the short-time and low-wage earner receives proportionately greater protection. Persons with dependents also receive additional benefits. However, practically everyone, regardless of his level of wages or the length of time during which he has contributed, receives more by way of protection than he could have purchased from a private insurance company at a cost equal to his own contributions. This is possible because a large proportion of the employers' contributions are utilized to pay benefits to those retiring in the early years of the program, and to low-wage and short-time workers and to persons with dependents.

Formula for Computing Benefits

The various monthly insurance benefits provided in the 1950 law range between a minimum of $20 for a retired worker with no dependents to maximum family benefits of $150. The amount paid in each case depends upon the amount of wages earned by the insured worker, whether or not he has a wife of eligible age and, in the case of survivors' benefits, the number and kinds of persons (widow, children, parents) who were dependent upon him at the time of his death. Dependents' and survivors' benefits are a fixed proportion of the insured worker's benefit which is referred to as the "primary insurance amount."

According to the formula established in the 1950 law, the primary insurance amount is 50 percent of the first $100 of the insured person's average monthly wage plus 15 percent of the

balance of his wages up to the limit of $300 a month.[2] Accordingly, the maximum primary amount based on an average monthly wage of $300 amounts to $80. Maximum monthly family benefits, regardless of number of dependents, are fixed by law to be $150 or 80 percent of the worker's average monthly wage, whichever is less. However, total benefits payable to the family through application of the maximum limitation may not be less than $40 a month. Minima are fixed for individuals with extremely low wages. If a person's average monthly wage falls between $35 and $50, his primary insurance amount is $25 a month. For each dollar of average monthly wages below $35, the minimum is reduced by $1 to an absolute minimum of $20. These minima apply mostly to part-time workers.

The fixed family maximum benefits are illustrated in Table 22 in the cases of widows with two or more children. If an insured worker whose average monthly wage was $100 left a widow and two children, according to the formula the mother would receive $37.50 and each of the children $31.25, which makes a total of $100. Since this amounts to more than 80 percent of the worker's average monthly wage, the benefits actually paid his survivors would be $80. Again in the case of a worker whose average monthly wage was $200 who left a widow and three children, according to the formula the mother's benefit would be $48.80 and each child's portion would be about $37.90, making a total of approximately $162.50. Since the maximum family benefit established by the law is $150 the family would receive that amount.

"Average Monthly Wages"

Primary benefit amounts are based on the "average monthly wage" which is defined in the law to be total wages received after 1950 and the time of retirement or death, divided by the total

[2] The above formula is used for computing benefits of those who have worked in covered employment for at least a year and a half after January, 1950, before retiring. A "conversion table" is set forth in the law for computing the benefits of those already retired and on the rolls at the time the amendment was passed, as well as those coming on the rolls who have had fewer than six quarters of coverage after 1950 and therefore cannot qualify for the "new start" on the new average wage formula. This "conversion table" will be used in a relatively few cases after the middle of 1952 since most persons retiring after that time will have worked the required year and a half after 1950.

TABLE 22. Examples of Monthly Old-Age and Survivors' Insurance Benefits Provided by the Formula in the 1950 Amended Law[a]

	Average Monthly Wage of Insured Person					
	$50	$100	$150	$200	$250	$300
Worker, 65 years of age and over	$25.00	$50.00	$ 57.50	$ 65.00	$ 72.50	$ 80.00
Worker and wife[b], both 65 or over	37.50	75.00	86.30	97.50	108.80	120.00
Widow[b], 65 or over	18.80	37.50	43.20	48.80	54.40	60.00
Widow and one child under 18 years of age	37.60	75.00	86.40	97.60	108.80	120.00
Widow and 2 children under 18	40.00	80.00	115.20	130.10	145.20	150.00
Widow and more than 2 children under 18	40.00	80.00	120.00	150.00	150.00	150.00
One child under 18 of deceased worker	18.80	37.50	43.20	48.80	54.40	60.00
Two children under 18 of deceased worker	31.30	62.50	72.00	81.30	90.70	100.00
One dependent parent of deceased worker[c]	18.80	37.50	43.20	48.80	54.40	60.00
Two dependent parents of deceased worker[c]	37.60	75.00	86.40	97.60	108.80	120.00

[a] Benefits of persons on rolls at time of passage of the law, and those coming on the rolls in the future who had fewer than 6 quarters of coverage after 1950, are determined by use of the "Conversion Table" set forth in the law. For persons over age 22 in 1950 with at least 6 quarters of coverage after 1950, the benefits are computed under the conversion table or the new formula, whichever yields the larger benefit.

[b] A husband or widower may receive benefits at age 65 on his wife's record under circumstances parallel to those required of a wife or widow.

[c] Provided deceased worker did not leave a widow (or widower) or child who is entitled to survivors' benefits.

number of months elapsed time between those dates. Where the benefit is figured under the formula in the original law, the average monthly wage is figured in the same way except that the computation starts with January 1, 1937 instead of January 1, 1951. The "new start" provided in the present law is especially important for workers newly covered, since otherwise their average monthly wage would be greatly reduced by the inclusion, in the elapsed period, of all the time back to the beginning of 1937. Workers now covered who die or become entitled to benefits after the middle of 1952 will also be benefited by the new start because wage rates are now considerably higher than they were in the 1930's and they will not have their "average monthly wage" pulled down by their previous lower wages. It should be noted that "average monthly wage" for purposes of computing benefits is not a person's average wage *while employed*. Thus, if a worker has been employed only part of the time between his beginning date (either

1937 or 1951, whichever formula is used) and the time he dies or files for benefits, his "average monthly wage" is less than if he had worked regularly during that time.

The original 1935 law used both wages and number of years employed in covered employment as factors in determining primary benefits; the 1950 law takes into account only the factor of wages. The reason for this change is explained in the Senate Committee's report issued while the new law was being drafted, and reveals some of the important motives and principles of *social* insurance in contrast to commercial annuity plans.

> We believe that benefits should be related to the continuity of the worker's coverage and contributions to the system, as well as to the amount of his earnings. Under our recommendations, accordingly, benefits will continue to vary . . . with both these factors. Thus, in figuring the average monthly wage, a worker's total wage credits . . . continue to be divided by the total number of months that he might have been contributing to the system after 1950 or after 1936. His average wage, and consequently his primary benefit, will therefore be the smaller for each month lacking in his record of covered employment. In our opinion, this method of adjusting benefits permits sufficient differentiation between workers who are steadily employed in covered jobs and those whose covered employment is only brief or intermittent. An increment . . . for each year of coverage is not needed for this purpose.
>
> With coverage broadly extended [as under the new law], the increment would serve largely to reward younger workers for their greater contributions by paying them higher retirement benefits than those paid to persons who were old when the system started. To us, such an advantage seems undesirable. The older worker should not be penalized for the fact that he could not contribute throughout his life. We propose, in effect, that . . . the older worker receive credit for his past service and acquire rights to the full rate of benefits now.
>
> The benefit formula [in the 1935 legislation], with its automatic increase of one percent for each year of coverage, in effect postpones payment of the full rate of benefits for more than 40 years from the time the system began to operate. Under such provisions, if the benefit amount of a retired worker after he has had a lifetime of coverage represents a reasonable proportion of his average wage, that for older workers who have been in the system for only a few years and for the survivors of younger workers will almost of necessity be inadequate. Thus, the survivors of a man who began working at age 20 and dies at

age 30 will have rights to benefits only about three-fourths as large as those which the same average monthly wage would have provided if he had lived to age 65. Yet the worker who dies at an early age has had less opportunity than have older workers to accumulate savings and other resources to supplement the benefits payable to his survivors . . .[8]

ELIGIBILITY REQUIREMENTS

In order to be eligible for the various insurance benefits, individuals must be insured in accordance with requirements of the law which prescribe the areas of employment covered, as indicated below. The law measures the insurance status of each individual in terms of quarters of coverage (three-month periods) which is the time period for which each employer reports the wages paid each employee and sends in the contributions for the insurance program. A "quarter of coverage" is a calendar quarter in which the worker receives $50 or more in wages. If wages paid to an individual in any year after 1950 equals $3600, each quarter of the year is considered a quarter of coverage.

A worker is *fully insured* when he has 40 quarters of coverage, regardless of when those quarters were earned except that they must have been earned after 1936 when the program was initially started. A worker is also fully insured if he has quarters of coverage equal in number to one-half the number of quarters elapsed after 1950 and the date of his death or retirement at age 65, whichever is earlier. However, he must have a minimum of 6 quarters of coverage but these quarters also can have been accumulated at any time after 1936. The effect of this liberalization in eligibility requirements, as contrasted to the original law, is to enable many persons already aged to draw retirement benefits immediately if they have coverage in the past, and to enable the newly covered groups provided in the 1950 amendments to qualify much more quickly. The following shows the number of quarters needed at specified ages, attained in first half of 1951, for fully insured status at age 65:

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[8] Senate Report No. 1669, pages 23–24, 81st Congress, 2d Session.

62 or over	6 quarters	57	16 quarters
61	8	56	18
60	10	55	20
59	12	55	30
58	14	45 or under	40

Loss of Benefits

In addition to being insured, an individual must also meet certain other requirements under the law in order to receive benefits. A worker's retirement benefit and the benefits for his wife and children are not paid for any month during which a worker under 75 years of age earns $50 or more in covered employment. Those aged 75 and over may draw their benefits regardless of the amount of their earnings. Also, survivors' benefits are suspended for any month in which the person receiving the benefit earns more than this sum on a covered job. However, a child's benefits continue even though the mother earns $50 or more a month in covered employment, and a widow's benefit continues even when her child earns more than this sum on a covered job. Benefits stop for a widow or widower when she or he remarries, unless they have earned them on their own account. A child's benefits are not paid after he reaches age 18, or marries.

A beneficiary may go on and off the benefit rolls from time to time, as work opportunities, health, and other circumstances affect him. He may, however, work at a job not covered by this insurance program and continue to receive his benefits, no matter how much he earns. Old age and survivors' insurance benefits usually extend for long periods. Generally speaking, retired workers, their aged wives, aged widows, and parents 65 years old or over, receive monthly benefits until death; their children until they reach the age of 18.

COVERAGE UNDER 1950 LAW

The 1950 Amended Act extends coverage on a compulsory basis to about 8 million persons and on a voluntary basis to about 2 million. About 46 million workers are now covered by the Old Age and Survivors' Insurance program. Another 7½ million are under other public retirement systems such as civil service, railroad re-

tirement, the systems of the armed forces and state and local retirement programs. Under the present laws, about 10 percent of the nation's labor force cannot be included under any governmental retirement system. Among these are almost 3 million farm operators, several million casual and part-time farm and domestic workers, and a half million self-employed professional persons specifically excluded by the social security law.

Although the common law "control" test to determine employee status is retained, the new law contemplates a realistic interpretation for the determination of borderline cases. Furthermore, it specifically includes four groups who previously had been excluded because they had been interpreted to be self-employed, namely (1) full-time insurance salesmen; (2) full-time traveling or city salesmen, other than house-to-house salesmen; (3) agent drivers and commission drivers engaged in distributing groceries, other than milk, and laundry services; and (4) homeworkers who earn at least $50 in a calendar quarter and who work under specifications prescribed by the employer.

Agricultural Labor

The 1950 law provides coverage to full-time year-round farm workers which is the first large-scale application in this country of a social insurance program in agriculture. Coverage is limited, however, to those "regularly employed" which is defined to include those who are paid at least $50 in cash wages and work at least 60 days during a calendar quarter after having been employed by the same employer continuously during the preceding 3 month period. Cotton ginning, turpentine production and several other on and off-the-farm types of services are specifically excluded.

Domestic Workers

Regularly employed domestic workers in private homes and nonstudents working in college clubs and fraternity and sorority houses are covered in the new law. Students working in college clubs are excluded. A domestic worker is covered in any quarter in which she works some part of at least 24 days in that or the preceding quarter and is paid in *cash* wages at least $50 during the quarter. Domestic workers in private homes will not be covered

if they work only one day a week for an employer. In order to be "regularly employed," a twice-a-week worker needs to work at least 12 weeks in the quarter; a three-times-a-week worker needs 8 weeks, and a full-time worker needs 4 weeks. Nonstudents performing domestic or other services in college clubs, etc., are covered in any calendar quarter for which their remuneration in *cash or kind* is $50 or more.

Employees of Nonprofit Institutions

Employees of religious, charitable, educational and other nonprofit organizations (except clergymen and members of religious orders) may be covered if the following conditions are met: (1) If the organization itself is willing and agrees to pay the employer tax. The employing organization, after once agreeing, may terminate coverage by giving two years' notice after coverage has been in effect for eight years. (2) At least two-thirds of the employees of the nonprofit organization have voted for coverage. Employees who vote in favor of coverage, as well as those hired or rehired after the insurance plan is in effect are covered; those who voted negatively will be exempt. However, workers employed by any nonprofit organization will not be covered in any quarter in which their remuneration is less than $50.

Government Employees

With a few exceptions all regularly employed federal government workers not covered by Civil Service or other retirement plans are included under the amended law. The law also permits any state to enter into an agreement with the Federal Security Administrator to extend social insurance to any group of state or local employees not covered by other retirement plans. No person may be covered, however, who works for the government solely because he would otherwise be unemployed, that is, who is engaged on a work-relief program. Special rules apply to employees of publicly owned and operated transportation systems which in general provide for automatic coverage for employees of transportation systems acquired by cities after 1936, except those already covered by retirement systems guaranteed by state constitutions.

World War II Military Service

The new law gives World War II veterans wage credits of $160 for each month of military service performed during the war period (September, 1940 to July, 1947, inclusive). The wage credits are given regardless of whether death occurred in service or whether veterans' benefits are payable. However, the wage credits are not given if a benefit based in whole or in part upon the veteran's military service during World War II becomes payable under another federal system. The reason for this offset provision is that a veteran would probably not have acquired simultaneous credit under two retirement systems if he had not been in military service.

Self-Employed Persons

The most sweeping change in coverage is the inclusion of a large majority of the self-employed persons in the labor force. The inclusion of self-employed persons was in response to the expressed desire of such persons to have the protection of old age and survivors' insurance. The owner of a business large enough to be incorporated acquires protection as an officer of the corporation, but the owner of a small unincorporated concern has no such advantage. Moreover, many self-employed persons worked as wage earners at times but failed to build up and maintain an insured status because their income from self-employment was not credited toward this status. Most foreign social insurance plans did not cover self-employed persons at the time that the Social Security Act was drafted in 1935, and there had been little thought of and experience with the methods which might be used to cover this group under the program in this country. Subsequent experience gained in the administration of the original law made it possible to develop adequate methods for meeting the problems involved in covering the self-employed.

In general, those covered by the 1950 law are persons other than farm operators and certain specified professional people[4] whose net earnings from self-employment are at least $400 in a

[4] The excluded professional groups are: lawyers, physicians, dentists, osteopaths, chiropractors, naturopaths, Christian Science practitioners, optometrists, veterinarians, professional engineers, architects, funeral directors, and licensed full-time practicing public accountants.

year. The covered group includes proprietors (sole owners and partners) of retail, wholesale and jobbing businesses, manufacturing plants, transportation, insurance, real estate and financial enterprises. It also includes such part-time insurance salesmen, house-to-house salesmen, operators of leased taxicabs, and "newsboys" over 18, who are excepted from coverage as employees and are treated as self-employed persons.

As with wages, benefits and taxes paid by the self-employed are based on earned income not exceeding $3600 a year. Self-employment income reported for a year is credited in equal amounts to each quarter of the year. Each quarter to which self-employment income of $100 or more is credited is considered a quarter of coverage; in other words, a self-employed person has four quarters of coverage for every full calendar or fiscal year for which he reports self-employment income.

ADMINISTRATION OF THE PROGRAM

The existing federal old age and survivors' insurance system consists of two parts: Title II of the Social Security Act, which provides the benefits and is administered by the Social Security Administration; and the Federal Insurance Contributions Act which levies the premiums and is administered by the Bureau of Internal Revenue. The revenue received goes into the federal Treasury, and an amount equivalent to the contributions received is deposited automatically in the Federal Old Age and Survivors' Insurance Trust Fund. Reserves of the insurance program are invested in U. S. government bonds.

Employers send their contributions and those they have collected from their workers to the Collector of Internal Revenue every three months, together with a report listing the name, social security account number, and wages of each individual employed during the particular quarter. These records are then sent to the Social Security Administration, which maintains records for each individual by means of a mechanical bookkeeping system. Self-employed persons file annual returns on their self-employment income along with their regular income-tax reports and pay their insurance taxes at the time of filing these reports.

The Bureau of Old Age and Survivors' Insurance maintains

nearly 450 full-time local field offices throughout the United States and territories, where individuals may file their claims for benefits. In addition, there are 1500 localities in which the personnel from adjacent field offices hold office hours at regular intervals in some public building such as the post office. If the claim is a proper one under the law, it is approved and certified for payment and the United States Treasury then mails out the benefit checks. If the claimant is not satisfied with a decision, either because his claim has been disallowed or because he believes an error has been made in calculating his benefit, he may have his case reconsidered by the Bureau of Old Age and Survivors' Insurance or reviewed by a referee, or both. If he chooses to have his case go to a referee and is not satisfied with the decision, he may ask for review by the Appeals Council of the Social Security Administration in Washington. If still not satisfied, he may take his case to the federal courts.

MODIFICATIONS OF THE EXISTING PROGRAM

The 1950 revisions in the Old Age and Survivors' Insurance program were far-reaching both in extension of beneficiaries and in amounts of benefits payable. Despite this recent liberalization, no one inside or outside of Congress considers the 1950 amendments to be the final word as to what will or should be provided in the future. Discussions as to further revisions focus around questions as to the amounts of benefits to be paid, methods of financing the program, as well as possible extension of coverage beyond that now provided.

Changes in Benefits

Social insurance benefits are designed to provide basic security by permitting employed workers to build up rights to benefits for themselves and their dependents sufficient to care for their basic needs when the workers' earnings cease because of retirement or death. Are the benefits provided in the present law sufficient to fulfill this purpose? Present benefits average about 77 percent more than the amounts paid under the 1935 law. The cost of living in the meantime, however, has advanced more than 70 per-

cent and is expected to rise in the immediate future, with the result that "real" benefits are not much changed from those provided when the insurance program was first established.

Consider the case of a wage earner who has credit for an average monthly wage of $200, which is a high average wage for even skilled workers since "average" includes not only income while employed but covers periods of partial and total unemployment —periods which practically all workers experience to a greater or lesser extent during their working lives. With this relatively high average monthly wage, a retired worker and his wife receive benefits amounting to $97.50 a month. At present price levels no couple could live on this amount alone because it is less than the cost of a minimum subsistence standard of living. (See Chapter 11.) The retirement benefits probably could cover their day-to-day expenses provided the couple owned their own home and provided they were in good health and had no medical expenses.

Some people have argued against social security—or at least its liberalization—on the ground that it discourages thrift. A wage earner must surely exercise considerable thrift to be able to pay for a home during the active years of his employment when he also probably has children to support. Home ownership, or its equivalent in personal savings, is obviously necessary to augment present insurance benefits. Moreover, these benefits do not cover the contingency of medical expenses although ill health is to be expected among older persons. This is one argument for health insurance discussed in a later chapter.

The above illustration pertains to a worker who has been able to work until age of retirement. Many wage earners—some estimates place the number as high as 2 millions—are forced to quit work because of chronic illness. In the prime of life, during their forties or fifties, they become afflicted with heart disease, arthritis, or some other chronic ailment, which makes it impossible for them to pursue their normal employment. In its effect on the individual and his family, extended or permanent disability represents premature retirement. Yet under the existing program no insurance benefits are available even though the forced retirement may come at a time when family expenses are greatest, that is, before the children have reached working age.

Changes in Groups Covered

Three major groups of persons are excluded from coverage under the existing government insurance programs: Self-employed farmers, certain self-employed professional persons, and millions of part-time and casual workers in agriculture and domestic service. The first two groups are exempt by their own wish[5] and presumably will be included whenever they express a desire to be covered.

The same is not true with respect to the irregularly employed farm and domestic workers, and their need for old age protection is greater because of their relatively low wages and intermittent employment and consequent inability to save. The principal reason for the exclusion of these persons in the original law was the administrative difficulty arising from the large number of small employers involved and the fact that most of these employers do not keep books and would have difficulty in making reports. The Social Security Administration now says that it is administratively feasible to extend coverage to these groups through the use of a stamp-book system. Under such a system each employee would receive a stamp book in which his employer would place stamps to evidence contributions made by himself and the employee. In rural areas the employer could purchase these stamps from the mail carrier, and in urban areas they could be purchased at post offices.

Changes in Retirement Age

The question of lowering the retirement age is sometimes discussed and proposals have been advanced to reduce the age from 65 to 62 and even 60. Several factors, especially the costs involved, are brought forward in public discussions in this connection. It has been estimated that reducing the age requirement from 65 to 60 would in itself increase costs about 50 percent. A second consideration is whether it is more desirable to provide benefits first for individuals permanently disabled at any age.

[5] When the 1950 law was under Congressional consideration, the National Grange and the Farmers' Union favored immediate coverage but the American Farm Bureau Federation counseled delay. Various professional associations (see fnt. 4) also requested exemption, expressing a fear that coverage would cast reflection on their members' professional standing.

Also, there is the question whether normally it is desirable to encourage the early retirement of persons who are still able to work, although experience has shown that most workers prefer to continue to work if jobs are available in preference to drawing insurance benefits.

Lowering the age requirement is most often discussed in connection with women beneficiaries. The age requirement is lower for women than for men in many of the social insurance programs of foreign countries, and also in many of the retirement systems established in this country by various state and local governments and private concerns.

Two reasons are given in favor of such a reduction: Wives are ordinarily two or three years younger than their husbands which means that there is a lapse of time after a husband's retirement before the wife is 65 and eligible to receive the wife's supplemental benefits. Of the married men who reach 65 each year, less than 20 percent have wives who also have reached this age. A second reason is that women wage earners usually retire from gainful employment at an earlier age than men. A lower age requirement for women might have been favorably voted upon by Congress but for the opposition of certain women's groups—mostly business and professional groups who resented the implication of "sex discrimination" and expressed a fear that employers would use the lower age limit to force their women employees to retire at the earlier age. This controversy (like many others in modern society!) revolves around the dual status of women. For wives, there is a logical basis for lowering the age for receipt of benefits accruing by reason of their husbands' status. For gainfully employed women, there is a logical basis for not having a different retirement age than for men workers. And these latter can hardly be expected to favor one eligibility requirement for "nonworking" women, and a different and higher age requirement for women who earn their own rights to insurance benefits.

Proposals for Changes in Financing

A major question of policy in all social insurance is how the costs should be shared as between employers, employees, and the government. Related to that is the question whether social insurance benefits should be paid out of current general tax revenues

or by special taxes levied upon wages and pay rolls which build up reserve funds for future payments. The present program is supported by the latter method and the law provides for a gradual increase in rates from the present 1½ percent to 3¼ percent in 1970.

The cost of old age and survivors' benefits under the present program for a generation of workers covered during their full working lifetime is estimated to be approximately 4 percent of pay rolls. Thus, under the tax schedule in the law the combined rate specified to be levied in 1954 will approximate the value of the benefits for the group of young workers who enter covered employment at that time. The higher taxes scheduled to begin in 1960 are to cover the costs for persons retiring during the next 30 or 40 years who will receive full benefits even though they have not contributed over a full working lifetime.

The present law is based on the principle of building up sufficient reserves to take care of the expected increased expenditures in the future when increased numbers of persons draw benefits. (By 1960 it is estimated that benefit payments will reach a total of 3¾ billion dollars compared to about 2 billion in 1951.) These reserves are invested in government bonds, the interest from which is added to current wage and pay roll taxes to defray benefit payments. The reserve funds, in effect, are used by the government to help pay the government's general expenses. Some people argue that the availability of such large funds encourages the government to spend more than it otherwise would, and they therefore favor a pay-as-you-go method from general revenues for insurance payments.

A contrary view is that so long as military expenditures must remain as high as they are, deficit financing is necessary and that purchases of U. S. bonds through the Federal Old Age and Survivors' Insurance Trust Fund have no different effect upon government spending than purchases by private individuals or enterprises. (For example, private life insurance companies invest more than one-third of their assets in government securities.) This argument may not have the same validity, however, if the happy day should ever arrive when government deficit financing is no longer necessary.

With our present graduated income tax system, sole financing

through the general revenues would mean that the higher income groups would pay a proportionately larger share of the costs than the lower wage earner groups. Personal judgment as to the merits of this naturally depends upon one's social philosophy. There is, however, another consideration to be taken into account if the insurance feature of the present program were discarded in favor of a government financed pension program. If the beneficiaries of the program do not directly and somewhat proportionately help to finance its costs, will they not seek ever larger benefits regardless of costs? We have had experience in several states where organized groups of old people have exerted sufficient political pressure to obtain "liberal" pensions, with the result that the states' expenditures for schools, public health programs, and other needed activities had to be sacrificed.

Abandoning the idea of an outright pension program financed entirely through general revenues does not necessarily mean that the government could not *contribute* to the social insurance program. As in many other countries, there could be a three-way division, instead of the present two-way division, of costs. When our program was originally established the primary justification for employer-employee financing was that the government should not contribute out of its general revenues to a limited coverage plan. It was argued that if the government contributed, taxpayers not covered under the system would pay part of the cost of insurance protection without receiving any direct benefits themselves. As the program is expanded to cover practically the entire gainfully employed population and their dependents, provision for a government contribution, as well as contributions of employers and employees, would be equitable and appropriate. The government contribution would be partly offset by a reduction in costs of public assistance resulting from a liberalization of the insurance program.

RAILROAD EMPLOYEES RETIREMENT AND SURVIVORS' INSURANCE

The old age retirement, survivors', and permanent disability insurance program for railroad employees differs in a number of respects from the general insurance program for other workers

under the Social Security Act. The benefits and contributions are higher under the railroad program, and permanent disability benefits are payable under it but not under the social security program. The railroad retirement program also provides benefits based upon past railroad service prior to the effective date of the law,[6] provides for the continued payment of pensions previously granted under separate employer plans, and pays benefits on

TABLE 23. Illustrative Monthly Old Age and Disability Retirement Benefits for Railroad Workers, 1949[a]

Average Monthly Earnings	Years of Railroad Employment 10	20	30	40[c]
$ 50 Regular formula	$12	$24	$36	$48
Minimum[b]	36	50	50	50
100 Regular formula	21	42	63	84
Minimum[b]	36	60	—	—
200	36	72	108	144
300	48	96	144	192

[a] The amounts shown in the table are subject to reduction in the case of nondisabled male employees retiring at ages 60–64 after 30 or more years of service. They are also subject to reduction if the retiring employee had made a joint and survivor election.

[b] In the case of an individual having a "current connection with the railroad industry," and not less than 5 years of service, a minimum monthly retirement benefit is payable equal to the least of (*a*) $60, (*b*) $3.60 multiplied by the years of service, and (*c*) the average monthly earnings.

[c] An annuity based on more than 30 years of service is payable only when the entire period of service credited is performed after 1936.

retirement from the railroad industry, or last employment, rather than from general work. Comparable provisions are not found in the general Old Age and Survivors' Insurance Law.

The benefits under the railroad retirement law are paid to an individual reaching retirement age irrespective of the length of time he has been covered by the railroad plan. The retirement benefit, of course, would be small if he had only a brief period of employment in the railroad industry. In general, benefits under the railroad retirement law are higher for long-time permanent railroad employees than for employees in similar circumstances in other industries covered by the Social Security Act. But individuals with brief periods of employment receive larger monthly

[6] While monthly survivors' benefits first became payable in 1940 under the federal Old Age and Survivors' Insurance Law, similar benefits under the railroad program first became payable in 1947.

benefits under the latter law than under the railroad law because of the different formulas specified in the two laws for computing retirement benefits.

The railroad plan does not make attainment of age 65 an absolute requirement for obtaining a retirement benefit as does old age and survivors' insurance. A railroad employee can receive an annuity at the age of 60 if he has thirty years of service, or if he is disabled for any regular employment. A disability annuity is also paid prior to age 60 when he has ten years of service and is disabled for any regular employment.

The railroad plan does not limit the maximum retirement benefit payable to any person except that the maximum compensation that may be credited toward an annuity is $300 a month. The benefit is therefore limited only by length of service and amount of wages earned in the railroad industry. A railroad employee, for instance, who had worked for forty years on the railroads after 1936 could receive an annuity of $144 per month if his monthly railroad wages averaged $200, and $192 per month if his monthly railroad wages averaged $300.

Contributions under the railroad system are 6 percent of wages each for employees and employers for the years 1949 through 1951 and 6¼ percent each thereafter. In 1949 an average of about 230,000 persons were drawing monthly retirement and disability benefits and an additional 120,000 were drawing monthly survivors' insurance benefits.

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CHAPTER 29

UNEMPLOYMENT INSURANCE

EVEN IN A PERIOD OF HIGH-LEVEL EMPLOYMENT, MANY PEOPLE lose their jobs and do not immediately find others. Seasonal and technological factors, material shortages, and all the frictions of modern industry bring interruptions in work to many individuals who want to be employed. These temporary shutdowns may last a few days or many weeks. They are not the fault of the employer and certainly beyond the control of the workers. The initiative and urge to improve production methods and invent new products are inherent in our economic system, and this means changes in staffing and shifts in and out of employment.

If unemployment insurance were not available to eligible workers during their periods of unemployment, they would be without income until production started up again or new jobs were available. For the large majority of workers there is very little margin between what he earns and what he spends for the essentials of life. Although unemployment benefits replace only a proportion of the wages received when employed, they go a long way toward meeting food bills and avoiding going into debt for some nondeferrable expenditures. Because unemployment insurance tends to stabilize the labor market, the company forced to curtail operations or shut down temporarily can be assured of workers when operations are resumed.

REQUIREMENTS UNDER FEDERAL LAWS

The existing federal-state program of unemployment insurance is an outgrowth of the 1935 Social Security Act, but this Act did not directly establish a system of unemployment insurance. The Act gave impetus to state legislation by imposing a

federal tax on pay rolls against which employers were permitted to offset the major portion of the contributions they made under their state unemployment insurance laws. Since employers in states which did not enact appropriate insurance laws were liable for the full federal tax, there was every inducement for the speedy establishment of state programs.[1] Less than two years after the passage of the Social Security Act, unemployment insurance laws were on the statute books of all the 48 states, Alaska, Hawaii, and the District of Columbia.

The basic federal legislation, as amended in 1939 and 1944, provides for a 3 percent tax on pay rolls against which employers are permitted to offset as much as 90 percent of their federal liability in accordance with the contributions they paid under state laws, or from which they were excused through operation of the experience rating provisions of those laws. The federal government uses 10 percent of the employer tax to reimburse the states for the cost of administering their programs.[2]

In order for an employer to receive credit against the 3 percent tax, his state unemployment insurance program must be administered by such methods as the U. S. Bureau of Employment Security finds to be reasonably calculated to insure full benefits to workers when due. These include the establishment and maintenance of personnel standards on a merit basis for persons in charge of the program, and the making of such reports as the federal administration may require.

In addition, the federal laws include some specific requirements, among which are: (1) All benefits must be paid through public employment offices. (2) All money withdrawn by the state from

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[1] Before 1934, when President Roosevelt created the Committee on Economic Security to study social security problems and recommend legislation, Wisconsin was the only state which had an unemployment insurance law, and benefits were not yet payable under that law. Between January, 1935, when the President transmitted the Committee's report to the Congress, and August of that year, when the Social Security Act became law, four states enacted unemployment insurance laws in anticipation of federal enabling legislation. By June, 1937, all the states had such laws.

[2] The federal tax and other unemployment insurance provisions are incorporated in two different laws, namely, the Federal Unemployment Tax Act, which is part of the Internal Revenue Code, and the Social Security Act, which since 1949 has been administered by the Bureau of Employment Security of the U. S. Department of Labor. Railroad workers, as explained later, are covered by a separate federal law.

the state unemployment fund must be used solely for the payment of insurance benefits. (3) Benefits must not be denied by a state to any individual for refusing to accept work, (a) if the position offered is vacant because of a labor dispute, (b) if the wages, hours, or other conditions of work are substantially less favorable to the individual than those in similar work in the locality, (c) if as a condition of employment the individual is required to join a company union or to resign from any bona fide labor organization.

Aside from these general federal requirements, the various states are entirely free to establish whatever type of program they wish so far as coverage, eligibility conditions, benefit provisions, and financial and other arrangements are concerned. Although many provisions in the various state plans are similar, each one differs in some important way. This is indicated by the following discussion which is necessarily limited to general comparisons and contrasts and a few of the problems arising from the operation of numerous autonomous programs.

COVERAGE OF UNEMPLOYMENT INSURANCE PROGRAMS

Despite the growing number of jobs covered by state unemployment systems, only about 7 out of 10 employees are now covered by unemployment insurance.[3] Of the 13 million jobs in 1949 which were excluded from coverage under the state or railroad unemployment insurance programs, about 3 million were in excluded small firms in covered industries; 1.7 million were agricultural jobs (not counting the self-employed farmers and unpaid family workers); almost 5½ million were governmental jobs; and the balance were jobs in domestic service in private homes, nonprofit organizations, and other excluded employment.

Substantially the same groups are included and excluded from coverage under unemployment insurance as under the federal old age and survivors' insurance program, although in some respects the coverage of unemployment insurance is broader and in one

[3] During the first ten years after the establishment of all the state programs the number of covered workers increased from 19.9 millions to 32.6 millions, but much of this increase was due to the increase in general employment.

respect it is narrower. A number of states include some types of "industrialized" farm labor; most states have a broad coverage so far as salesmen are concerned; one state (New York) covers domestic employees when the employer hires four or more domestics; Wisconsin, New York, and Texas cover certain types of state and local public employees. On the other hand, all the employees in small firms are covered under the old age program, whereas most

TABLE 24. Number of States[a] According to Major Provisions in Their Unemployment Insurance Plans, January, 1950

	No. of States
Size of firm covered	
1 employee	17
2–5 employees	10
6–8 employees[b]	24
Minimum weekly benefits[c]	
$5 and Under	17
$6–$8	23
$9–$15	11
Maximum weekly benefits[d]	
$16–$19	2
$20–$24	24
$25–$27	25
Maximum weeks payable	
14–19 weeks	8
20 weeks	21
21–25 weeks	9
26 weeks	13
Potential annual benefits[e]	
$200–$299	3
$300–$399	5
$400–$499	16
$500–$599	12
$600–$699	15

[a] Tabulation includes Alaska, Hawaii and the District of Columbia.
[b] Two specify 6, the remaining 8 employees.
[c] Excludes dependents' allowances provided in 12 laws. Only Oregon has minimum as high as $15.
[d] Excludes dependents' allowances. With maximum dependents' allowances, weekly benefits go as high as $40 (Alaska).
[e] Excludes dependents' allowances. Under 5 laws maximum dependents' allowances bring potential annual benefits to more than $700, the highest being $1173 (Massachusetts).

state unemployment insurance laws still exclude some such firms. In total, the federal old age and survivors' insurance system in a year covers about 12 million more members of the labor force than the state unemployment insurance programs.

The federal unemployment tax applies only to industrial and commercial employers of eight or more workers. Most states originally limited coverage to employers subject to the federal tax, but later many of them extended their coverage provisions. In 1950, 22 states still excluded all workers in firms with less than eight employees, and only 17 states covered all employers of one

or more employees. The workers excluded by the size-of-firm provisions are in the same occupations and industries as those who are covered, and in many cases they are employed by a fluctuating group of marginal employers who go in and out of business and thus present special risks for their employees.

BENEFIT PROVISIONS

Eligibility Requirements

Although the benefit provisions of the state laws vary greatly, they follow a general pattern. To be eligible for benefits, a worker must be involuntarily unemployed, able to and available for work, and registered at a local public employment office, and he must not refuse suitable work. Such provisions, although varying in form and interpretation, are found in all unemployment programs and are designed to insure that only genuine unemployment is compensated.

In addition to these qualifications, a worker must have had a certain length of time or been paid a certain amount of wages in covered work during a recent past period, usually called "the base period." These work or wage requirements in the state laws are of three general types: (1) Eligibility on the basis of length of employment, such as in Michigan and Wisconsin, which require 14 weeks of employment within the preceding 52 weeks. (2) Flat amounts in dollars of earnings are specified in a number of state laws, the amounts ranging from $100 to $600 in a one-year period. (3) Variable amounts in dollars of earnings, depending upon the weekly benefit of the individual, are required by a majority of states. A few of these states having variable earnings requirements also require some employment or earnings within a particular period of time. Thus, in some states if a person's weekly benefit amount is $20 per week he must have earned $600 in a prior period.

Waiting Periods

All the state laws but Nevada and Maryland provide for a waiting period between the filing of a claim for benefits and the time at which they begin to be payable. This period is designed to give the administrative agency time to process the claims and to con-

serve funds for claimants who suffer longer periods of unemployment. As the states have acquired facility in processing claims and have accumulated substantial reserves, the need for a long waiting period has disappeared, and many states have reduced the length of the period originally provided under their laws. In 1950 Maryland and Nevada had no waiting period; four states still required a two-week waiting period; the rest one week. Even with a single week, the claimant's first benefit check ordinarily does not reach him until the end of his third week of unemployment, that is, a week after the end of his first compensable week of unemployment.

Amount of Benefits

Benefits are usually related to weekly wages in a recent period of employment. In general, under the original laws framed in 1935 and 1936, benefits were intended to replace about half the weekly wage loss, up to the maximum benefit amount, suffered by an individual when he is totally unemployed. This was based on the principle that the weekly benefit should be less than the wages received when he is employed full time in order to provide financial inducement to take a job when one is available. Although weekly benefits provided under state laws have risen during recent years, benefits in relation to wage levels and cost of living have decreased. In the country as a whole, average weekly benefits for total unemployment have been as follows:

1940	$10.56	1945	$18.77
1941	11.06	1946	18.50
1942	12.66	1947	18.05
1943	13.84	1948	18.19
1944	15.90	1949	19.91

In 1940 the weekly unemployment benefits paid throughout the country averaged about 40 percent of the average wages in covered employment, and in 16 states the ratio was 70 percent or more of average wages. By 1949 the country-wide ratio of benefits to wages had dropped to one-third, and in 18 states the ratio was less than 30 percent.[4] In the great majority of the states the maximum weekly benefit—not the average—was well below the 50

[4] Although the average benefit increased $9.35 between 1940 and 1949, the average wage in covered employment rose by about $25. Consequently the ratio of benefits to wages declined. In terms of purchasing power, or "real" benefits, the 1949 average benefit was worth slightly more than the average benefit in 1940.

percent of average weekly earnings, the ratio accepted as desirable from the beginning of the program.

All the state laws include provisions for minimum and maximum weekly benefits. At the beginning of 1950 more than half the states provided maximum benefits of less than $25 a week. Under eleven laws, however, benefits were augmented for larger-size families by the payment of nominal weekly allowances of $1, $2, or $3 in behalf of certain dependents.

The major purpose in establishing maximums for weekly benefits is to husband the limited funds. Current maximums under the state laws, however, reduce the rights of a very high proportion of workers and result, for many, in benefits that are considerably less than half their weekly wages. Because the maximums have not risen in line with increases in weekly earnings, a large proportion of payments have been at the maximum. At present about three-fifths of all such payments are the maximum specified in the respective state laws, and in some states this is true of 90 percent of all payments. For many workers receiving the maximum, the benefits amount to only 15 or 20 percent of their average wages.

Duration of Benefits and Annual Maximums

Since the major objective of unemployment insurance is to bridge the gap between jobs, the duration of benefits is the most important single element in the benefit formula.

Only 15 laws provide a uniform duration of benefits; that is, that any worker who qualifies for benefits may receive up to the maximum provided in the law if he continues to be unemployed. In 36 states the duration of benefits is related to the worker's past employment and earnings. While this provision may not be serious in a period when unemployment is brief, and workers have steady employment before they become unemployed, it results in severe limitations of benefit receipts during other times. The U. S. Bureau of Employment Security believes that all the laws should provide for 26 weeks' potential duration of benefits for all claimants who meet the qualifying wage requirements.[5]

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[5] In 1927, after many years of experience with variable duration, the British abolished their ratio rule, under which 1 week of benefits had been paid for each 6 weeks of contributions. Until September 1939, any eligible worker could receive benefits for as many as 26 weeks; then duration was increased to 30 weeks a year.

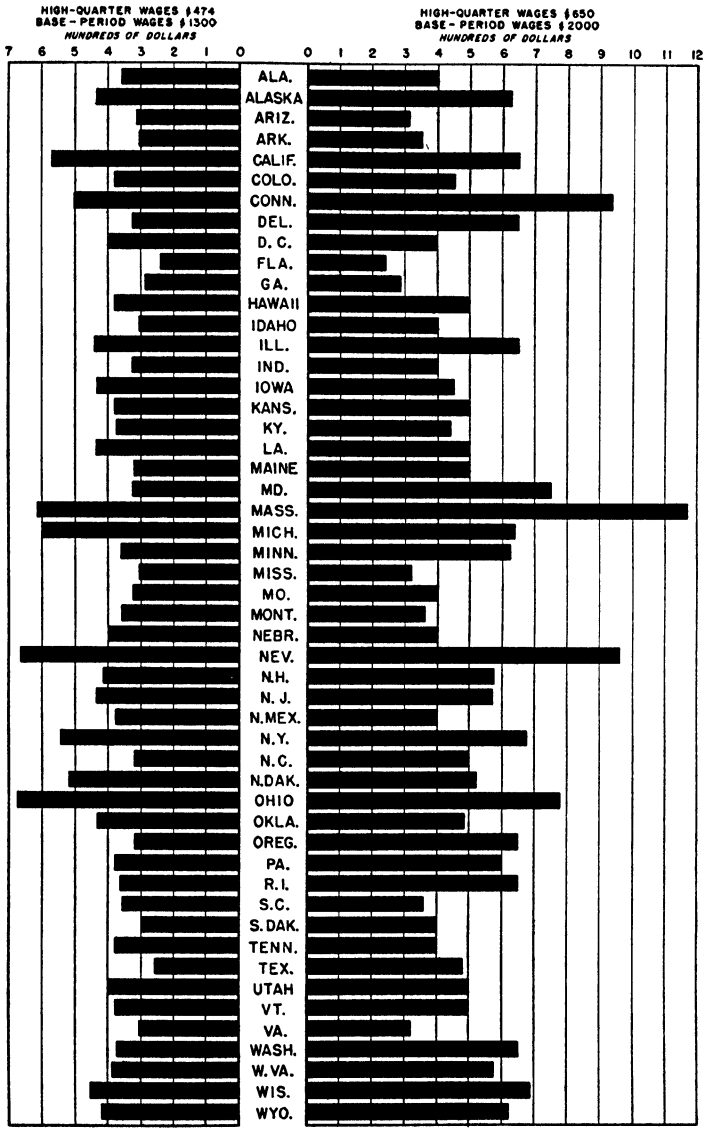

FIG. 34. *Maximum Potential Amounts Payable for Unemployment Benefits During a Year Under State Laws, January, 1950. Includes maximum dependents' allowances in 11 states which pay additional amounts for given number of dependents.* (*Source: U. S. Bureau of Employment Security.*)

The wide differences among the states in duration of benefits, in maximum benefit amounts, and in other elements in the benefit formula, result in great variations in the total amount that a worker in given circumstances can receive in a year. The annual amounts which some states may pay a worker who barely qualifies for benefits is greater than the maximum that other states pay to any worker, whatever his past earnings. (See Fig. 34.)

RIGHTS OF INTERSTATE WORKERS

With a system administered under 51 different jurisdictions, particular questions arise with respect to workers whose jobs carry them across state lines. The problem of covering interstate workers has been partly solved by employment being defined in all state laws so that all the services of an interstate worker for one employer are usually covered in the state in which he will be most likely to seek benefits if he becomes unemployed. Certain types of employment, however, do not lend themselves to this simple solution. The employer who sends out work crews for a few months first in one state and then in another, cannot easily decide to what state or states he should pay contributions. If he pays the wrong state, he must obtain a refund and must also pay his delayed contributions, plus interest, to the right state. Differences in interpreting the various state laws sometimes result in overlapping claims by two states for the same service, and in gaps whereby some service is not covered by any state.

Most state laws provide that their administrative agencies may enter into reciprocal arrangements under which all services performed by an individual for one employer can be covered under one state law, at the request of an employer, in order to provide continuity of coverage for the workers and reduce the employer's reporting requirements. Not all of the states, however, have adopted a uniform arrangement simplifying the handling of such requests. As a consequence, workers who have benefit credits in more than one state may not be eligible in any state, or may receive smaller amounts because of the division of their wage credits. On the other hand, if a worker's earnings in each of two or more states qualify him for benefits and if he remains unemployed and otherwise eligible, he may collect benefits, one at a time, from

every state in which he is qualified. Thus some long-unemployed interstate workers may draw more in total benefits than they could if their wage credits were all in one state. Because of the differences in state laws and the order of drawing interstate benefits, some claimants are forced to forego relatively high benefits until they have exhausted their lesser benefits in another state, and sometimes their rights to the higher benefits lapse before the smaller benefits are exhausted.

Because of the differences in provisions and interpretation of the various state laws, and because only the state in which the benefit rights accrue can determine an interstate claim, it is more expensive to process interstate claims than others. Special interstate units have consequently been established in state administrative offices to make types of decisions which local offices usually make for other claims. One of the most difficult decisions in determining an interstate claim concerns the availability of the claimant for work, for in each case it is necessary to decide whether the specific circumstances require that the claimant be available for work *in* the locality in which he is filing, or in the state *against* which he is filing his claim.

Interstate claimants have the same rights as intrastate claimants to appeal from a decision on their claims. As a practical matter, however, it is usually not possible for a claimant to travel to the state where his appeal will be heard, and hence it is very difficult for interstate claimants to obtain "a fair hearing." To overcome this difficulty, special methods have been adopted more or less generally, whereby a referee of a distant state examines a claimant filing in that state and reports the facts to the state which makes the decision on his benefit rights. This procedure is complicated by the difference in provisions and interpretation of the state laws on all points that may lead to an appeal.

DISQUALIFICATION FROM BENEFITS

The purpose of unemployment insurance is to pay benefits only to genuinely unemployed workers who are actively in the labor market; hence all the laws impose certain disqualifications designed to insure that objective. Thus, disqualifications from benefits are imposed when a worker has quit his job voluntarily with-

out good cause or has been discharged for misconduct connected with his work, when he is engaged directly in a labor dispute, or when he refuses to accept suitable work. During recent years, amendments to many of the original state laws, however, have shifted the emphasis from paying benefits to workers unemployed through no fault of their own, to paying only when the employer is responsible for their unemployment. Moreover, the disqualification provisions have tended to shift from postponement of benefits for a certain number of weeks following the worker's disqualifying act, to the drastic penalty of canceling part or all of his benefit rights. Furthermore, many special grounds for disqualifications have been added to state statutes.

The disqualification provisions in state unemployment insurance laws raise some of the most baffling problems connected with the program, because they involve elements of discretion and judgment. While the amount and duration of benefits have an important bearing on employment and labor standards, these elements are determined basically by the specific provisions of the law itself. But in deciding whether a worker is eligible for benefits when he leaves "suitable work" voluntarily without "good cause," fails to "accept suitable work" when offered to him, is "not available" for work, or is unemployed because of a "labor dispute," there is substantial room for discretion on the part of the state agency in developing general standards and in ruling on individual cases.

Reasons for Disqualification

Most of the original unemployment insurance laws had disqualification provisions which resulted only in *postponement* of benefit rights. By 1950, however, 22 states had disqualifications which either reduced benefits in addition to postponement, or canceled them for one or more of the three major statutory reasons—voluntarily leaving a job without good cause, refusal of suitable work without good cause, and discharge for misconduct connected with the work. Some states have recently added other special causes for cancellation or reduction of benefit rights. When these rights are canceled because of a disqualifying act, not only is the worker deprived of benefits for the period following his act, but also, if he becomes unemployed in the future, he may find that even though he is in no way responsible for losing his last job, he

has little or no benefit rights on which to draw. Such disqualifications may nullify duration provisions.

A considerable number of states provide that benefits are not payable when an employee leaves his job voluntarily "without good cause attributable to the employer." In most of these states, personal reasons such as inability to find satisfactory housing, or transportation difficulties, are not sufficient to enable a worker to draw benefits, nor is leaving voluntarily to find a better job a satisfactory reason. Some states tend to disqualify workers who are discharged for incompetence even though inability to perform may be due to inadequate training or poor placement.

By law or in administration, some states have automatically tended to disqualify certain groups of workers such as students, married women, or pregnant women, irrespective of the circumstances of the individual claimant. In many states, however, the circumstances in each case are examined to determine the facts concerning the claimant's actual availability for employment. About half the states disqualify persons receiving old age insurance payments or workmen's compensation, although in most cases the state pays the difference between these payments and the unemployment insurance benefit, if the latter is larger.

The severity of the disqualification provisions result in large part as a consequence of experience rating. The employer to whose account the benefits are charged quite logically objects to having them paid to persons who left his employ for reasons not due to the job itself, even though the reason may have been compelling so far as the worker is concerned. The employer whose insurance charges are such as to keep him from securing a tax reduction becomes interested in limiting the amount of compensated unemployment chargeable to him, particularly in those cases where he cannot do much to stabilize employment because he finds that the causes of unemployment in his business are largely beyond his control.

In an effort to counteract this tendency and encourage the states to make changes in the disqualification provisions in their laws, the U. S. Bureau of Employment Security has recommended that disqualifications for voluntary quitting and refusal of suitable work take the form of a postponement, not a cancellation, of

benefits rights; that the "good cause" which justifies voluntarily leaving a job should include good personal causes as well as "good cause attributable to the employer"; and that disqualifications should apply only to leaving voluntarily without good cause, refusal to take suitable work, labor disputes, and discharge for misconduct.

Suitable Work

In determining whether work is suitable for an individual the states take into account such factors as the degree of risk involved to his health, safety, and morals, his physical fitness and earlier training, his experience and prior earnings, the length of his unemployment, his prospects for obtaining work in his customary occupation, the distance of the available work from his residence, and his prospects for obtaining local work. The weight given to each of these factors varies from state to state and from case to case within a state.

Many times decisions in individual cases relate to the rules of labor organizations, such as whether a claimant is subject to disqualification for refusing work when its acceptance would be a violation of union rules and jeopardize his union status. In determining whether a worker has "good cause" for leaving voluntarily or refusing an otherwise suitable job, the state agency must appraise the personal circumstances surrounding the case. Such cases frequently involve questions of the care of children, change in place of residence because of marriage, illness of a member of the family, housing and transportation, and similar factors.

Unemployment Due to Labor Disputes

All state laws have some provision for refusing payment of benefits when the worker is unemployed because of a labor dispute. The specific provisions of the laws vary from state to state, as do the interpretation and administration of the provisions.

The most common provision, found in nearly two-thirds of the laws, specifies that an unemployed individual shall not be entitled to receive a benefit for any week in which his unemployment is the result of a stoppage of work due to a labor dispute in the establishment, or at any other premises, in which he is or was last employed. However, he may receive benefits if it is shown that he is

not participating in or directly interested in the labor dispute, and if he does not belong to a grade or class of workers of which there are members employed at the premises at which the stoppage occurs, any of whom are participating in or directly interested in the dispute. The other general type of law, found in about 13 states, disqualifies a worker if his unemployment is due to a labor dispute "in active progress" at the establishment at which he is employed.

Both types of laws raise difficult problems of interpretation. In the first type, such terms as "the grade or class of workers," "stoppage of work," and "participating or directly interested" in the labor dispute have been interpreted differently by various states. The second type of law gives rise to frequent differences in interpretation as to when a labor dispute is still in "active progress."

Two states provide that after an extended waiting period benefits are payable to workers still unemployed because of a labor dispute: New York after 7 weeks, and Rhode Island after 8 weeks. Other states have provisions in their laws which allow payment of benefits under certain other circumstances. Thus, in nine states workers may draw benefits if unemployed as a result of lockouts. West Virginia imposes no disqualification if the employees are required to accept wages, hours, or working conditions less favorable than those prevailing for similar work in the locality, or if employees are denied the right of collective bargaining Arizona, Arkansas, Montana, and Utah have provisions that permit payment of benefits if the labor dispute is due to the employer's failure to conform to state or federal laws relating to wages, hours, or working conditions.

EXPERIENCE RATING

Selection of the sources and methods of financing the federal-state program grew chiefly out of the desire for the immediate enactment of state laws in a period of widespread unemployment. The federal unemployment tax was imposed to stimulate the enactment of state unemployment insurance laws, to raise money for the administration of the laws, and to insure that employers who contributed under a state unemployment insurance law would not

suffer unfair interstate competition while the program was developing.

But the method of financing the program was also influenced by concepts taken over from workmen's compensation, which at the time were generally assumed to be applicable to unemployment insurance. This led to the inclusion in the law of provisions for experience rating.

Purpose of Experience Rating

Provisions for experience rating (originally called merit rating) established methods of adjusting an individual employer's contribution rate in accordance with some measure of his own unemployment risk. This is in contrast to adjusting all employers' contributions on some general state or national basis independent of the individual employer's experience. At the present time the federal law permits states to utilize individual employer experience rating but does not permit them to adjust rates on a flat state-wide basis.[6]

Experience rating is based on the theory that unemployment is largely within the control of individual employers and that the cost of unemployment benefits should be allocated to the particular employer responsible for it. Since the incentive of lowered tax rates under workmen's compensation laws has stimulated employers' efforts to prevent accidents, it is assumed that the same methods can be used to encourage programs for the prevention of unemployment. One effect of experience rating in the unemployment insurance program has been to emphasize the use of the tax

[6] During the hearings on the original Act, the House Ways and Means Committee deleted provisions for additional credit for reduced rates based on the individual employer's experience with unemployment. The Senate subsequently adopted this provision, and the House in conference concurred in its inclusion.

Controversy over the relative merits of experience rating and uniform tax contributions is still active. For opinions on both sides, see Paul A. Raushenbush, "The Wisconsin Idea: Unemployment Reserves," *Annals of the American Academy of Political and Social Science,* November, 1933; E. E. Witte, "Experience Rating and Other Forms of Incentive Taxation to Promote Employment," *Proceedings of the 34th National Conference of the National Tax Association,* 1941; Elizabeth Brandeis, "The Employment Reserve Type of Unemployment Compensation Law," *Law and Comtemporary Problems,* January, 1936; and I. M. Rubinow, "State Pool Plans and Merit Rating," in *ibid.*

provision to encourage employers to do everything in their power to prevent unemployment, and to ignore the problems arising out of interstate competition when different rates are applicable to employers throughout the country.

Experience Rating in Operation

Although experience rating was originally conceived as a device to encourage employers to stabilize employment, it has come to be more of a means for obtaining tax reductions. This is indicated by the fact that at the beginning of the program rates above the standard were provided in the experience-rating provisions of 30 state laws, whereas by 1949 only 10 states had provisions assessing any employer, however bad his experience with the risk of unemployment, at a rate above the standard 2.7 percent, and 12 states provided for a minimum of zero. In only 2 or 3 states at the present time is the average rate for *all* employers as much as 2.7 percent; in 15 states the average rate is 1 percent or less. As long as the benefit formulas and methods of determining employer contribution rates vary from state to state, employers in the same industry with similar employment records will have different contribution rates if they happen to be located in different states.

The effect of the adoption of experience rating on employer contributions is revealed in Table 25. In 1948 employers saved almost 1¼ billion dollars; in other words they paid that much less into unemployment insurance funds than they would have under the standard rate of 2.7 percent. Since most states use the amounts of benefits paid to former employees as a major element in computing an employer's index of his unemployment experience, and since benefit payments declined greatly during the war and postwar boom in employment, the experience rating formulas automatically resulted in reducing employer contribution rates during those years. These declines obviously were the result not of employers' efforts to stabilize employment, but of the nation's war inflationary business conditions.

The inverse relationship between contribution rates and the business cycle has concerned various state agencies. A few states have departed from the use of reserve-ratio and benefit-ratio formulas as the sole measure of an employer's experience rating. In 1950 seven states had rate formulas using an employer's expe-

rience with annual or quarterly pay-roll declines. The employers whose pay-rolls show the smallest percentage decrease are eligible for the largest proportional reductions in their payments. These laws avoid experience rating's greatest drawback—the close relationship between benefits paid an individual worker and his employer's tax rate.

Although all states have some form of experience rating this does not necessarily mean that the laws reflect a belief in the effi-

TABLE 25. Effect of Experience Rating on Employer Contributions and Total Revenues for Unemployment Insurance[a]

Year	No. of States with Experience Rating	Average Employer Contribution[b] Rate (percent) States with Experience Rating	All States	Reduction in Revenue[b] as Result of Experience Rating (In Millions)	Percent
1941	17	2.17	2.58	$ 54	5
1942	34	1.81	2.17	269	20
1943	40	1.85	2.09	369	23
1944	42	1.73	1.92	485	30
1945	45	1.68	1.72	586	37
1946	45	1.38	1.42	821	48
1947	50	1.4	1.4	982	49
1948	51	1.2	1.2	1,214	56

[a] During 1939 experience rating was in effect only in Wisconsin, and during 1940 in only three additional States. Total savings to employers during these 2 years was only about $10.5 million.
[b] Includes effect of additional revenue under war risk provisions.

cacy of experience rating as a device for inducing employers to regularize employment. Under the federal act, experience rating is the only way that state contribution rates can be reduced below 2.7 percent, and states have felt that this rate was unnecessarily high. However, there is no doubt that many states are collecting contributions which in all probability are considerably below the average rate necessary to finance an adequate system of benefits during a period when there is considerable unemployment. To remedy this situation, it has been recommended[7] that the federal law be changed to impose a nation-wide minimum contribution rate below which point no state rate will be allowed to fall. The imposition of such a minimum rate would greatly reduce interstate

[7] Advisory Council on Social Security of Senate Finance Committee, submitted December 28, 1948. (*Social Security Bulletin*, January, 1949, p. 17.)

competition for rate reducing and provide adequate funds, for the majority of state systems, to liberalize their benefit provisions. Low benefits would not hold out the possibility of lower contributions as they do now, and there would not be strong inducements for a state to keep benefits below a reasonable amount.

EMPLOYEE CONTRIBUTIONS

The federal tax is limited to employers, and the state legislatures are left to decide whether or not a state law shall require contributions from employees. At one time or another nine states collected contributions from employees for unemployment insurance, but five of these states have discontinued such contributions altogether. In Rhode Island and California all employee contributions, and in New Jersey three-fourths of the 1 percent of wages paid by employees, are allotted to cash sickness benefits administered by the state unemployment insurance agencies.[8] Alabama maintains an employee contribution for unemployment insurance of 1 percent of wages up to $3000, which is reduced in accordance with reductions of employer contributions as a result of experience rating.

The decline in the number of states requiring employee contributions is due to several reasons. For one, up to the present the favorable financial condition of the funds has made them unnecessary. Also, employee contributions conflict with the principle of experience rating. The inclusion of such contributions indicates the "social" insurance basis of unemployment insurance and tends to make experience rating inconsistent with its major premises, namely, that it provides an incentive to employers to stabilize employment, and that it automatically results in an allocation of the cost of unemployment in the price of particular products. There is also the practical consideration that it is confusing and difficult to reduce employee contributions in relation to the reduction of the employer's contribution, whereas a flat rate for employees seems inconsistent with a varying rate for the employer.

[8] Under the terms of the Social Security Act Amendments of 1946, the states are permitted to withdraw from the Federal Unemployment Trust Fund any amounts contributed by employees and to use them for cash sickness or disability benefits. See chap. 81.

ADMINISTRATION OF UNEMPLOYMENT INSURANCE

Under the Social Security Act, the administration of unemployment insurance rests with the states. The state governments alone deal directly with the contributors to the state program and with the beneficiaries. They keep all the records necessary to determine benefits, engage and pay the administrative personnel, determine the policies and procedures that govern them in their duties, and exercise complete administrative responsibility over their work.

Federal responsibility is vested in two agencies: the U. S. Bureau of Employment Security and the Bureau of Internal Revenue. The latter determines what employers are subject to the Federal Unemployment Tax Act and collects this tax from such employers. The Bureau of Employment Security has broad administrative powers to determine whether or not a state unemployment insurance law and its administration are such as to enable employers in the state to obtain credit against the federal tax. It also allocates grants to the states to meet the entire expense of administering their programs. The total amount to be used for this purpose depends in the first instance on the sums appropriated by Congress each year, but the amount allocated to any one state represents the Administration's estimate of what, within the limits of the appropriations, is necessary for the proper and efficient administration of its program. Except for certain emergency relief activities during the depression of the 1930's, unemployment insurance and the related employment service program are the only examples of complete federal assumption of costs of a wholly state-administered undertaking. In other instances in which the federal government has participated in financing state services, federal grants have been contingent upon state participation, usually on a matching basis.

Problems of Dual Administration

Our present federal-state arrangement for unemployment insurance presents some peculiar administrative problems, both for employers who pay the taxes and for the government agencies concerned with collecting and allocating the funds.

The federal government collects the federal unemployment tax from employers having eight or more employees, with certain exceptions; and each state collects any additional contributions required from other employers under its own law. Each agency—federal and state—is responsible for determining liability according to the detailed provisions of its own law, collecting taxes, keeping the necessary accounts and records, and, to a greater or lesser extent, auditing employers' pay rolls. Even if the state laws should follow the coverage provisions of the Federal Unemployment Tax Act uniformly, there would still be differences in both interpretation and decisions between federal and state authorities.

Most employers are now subject to federal contributions for old age and survivors' insurance, the federal unemployment tax, and one or more state taxes for social security purposes. Some small employers must make contributions to the federal old age and their own state unemployment insurance programs, but are not subject to the federal unemployment tax, since it is limited to employers of eight or more workers. Even when an employer is taxable by both the state and federal governments, not all his employees are necessarily covered under both laws, and the amount of wages on which the tax is based may differ because of differences in the definition of wages and the treatment of tips and gratuities.

An interstate employer may be required to report in several states on different forms and in accordance with different instructions. He is not always certain in which state a given worker is covered; he may pay contributions on an employee in one state and then have to pay in a second state for the same individual, obtaining a refund from the first state. Under experience rating, an employer may have a different tax rate in each of several states.[9] Among the states there are scores of variants in coverage

[9] At present, an employer subject to only one state law makes four quarterly contribution and wage reports to the state or, in a few states, four quarterly contribution reports and an annual report of the wages paid each employee. Under the Federal Unemployment Tax Act he also makes an annual tax return to the Collector of Internal Revenue, on which he lists for credit his contributions under the state laws and the contributions for which he obtained additional credit because of experience rating. Simultaneously, he makes four quarterly tax and wage reports to the Collector of Internal Revenue under the Federal Insurance Contributions Act—in all, at least nine reports during the year. For interstate employers, the preparation of the annual tax returns becomes progressively more burdensome as the number of state laws

provisions based on the number of employees or the amount of pay rolls, or both; in the definition of agricultural labor and other excluded occupations; in the definition of "employees"; and in provisions for including subsidiary companies as a unit for the purpose of determining coverage, or for including employees of contractors or subcontractors with those of the employer who hires the contractor.

While the 100 percent federal grant of administrative funds has undoubtedly saved many state systems from being crippled by limited state resources or appropriations, this provision raises difficult problems for both federal and state agencies. It is the responsibility of the U. S. Bureau of Employment Security to determine the amount of funds "necessary" for 51 different jurisdictions of different sizes with differing laws and different administrative organization, methods, and procedures. There are broad variations in administrative costs even in jurisdictions with similar statutory provisions and comparable work loads. Since the state bears none of the cost of administration, it lacks the customary incentive to economy. The federal agency, on the other hand, is required to grant the amount necessary for the proper and efficient administration of the state law without the authority to determine economical and efficient operating methods.

To carry out its responsibilities for allocating federal funds, the Bureau of Employment Security must establish some standards to govern the manner and object of the expenditure of federal funds. In applying fiscal and business management standards in any state, recognition is given to the practice generally prevailing in other departments of that state. For states that have no "prevailing practice," the federal Administration has established limitations on the amount used for certain purposes, with the result that a state's employment security agencies are frequently subject to standards that are not required for other departments of its government. Inevitably the imposition of such standards has caused

to which they are subject increases. Various efforts have been made to simplify and unify the wage record problems of state agencies and the wage-reporting problems of employers. For example, a uniform definition of employment has been generally adopted which is designed to prevent the payment of contributions for a multi-state worker to two or more states and to cover him in the state where he is most likely to look for a job when he becomes unemployed.

irritation and difficulty, since they seem to dictate the manner of state administration.

MODIFICATION OF THE EXISTING PROGRAM

The state unemployment insurance programs today are far more effective in many respects than those under the initial state laws. Nevertheless, it is generally agreed that there are important limitations in the protection afforded American workers, particularly in a period of serious unemployment. Some of the present defects of the unemployment insurance program could be removed without modifying the existing federal-state system, either by state legislative action alone, or by the combined action of the states and the federal government. Certain other shortcomings could be remedied by changing the existing type of system, but still keeping it on a federal-state basis. The most far-reaching recommendation for change is that a single national system be substituted for a state-by-state system.

State versus National System

Advocates of a national system of unemployment insurance believe that only such a system can cope with the problems caused by the mobility of population which has characterized economic development in the United States, by averting the need for complicated and costly provisions for workers who move across state lines. A national system could insure that workers and employers in like circumstances will receive like treatment, regardless of the state in which they are located, and could both free employers from the interstate competition which results from differences in contribution rates and eliminate the duplication of reporting. At the same time payments to beneficiaries, since they are based on prior earnings, would be adjusted automatically to differences in prevailing wage levels in various parts of the country.

Those who advocate a national system of unemployment insurance also cite general economic arguments to support their point of view. In their opinion, the depression of the 1930's and World War II inflation demonstrated that mass unemployment and full employment are no respecters of state lines. In the years ahead,

national policy on such matters as reciprocal trade agreements, taxation, and interest rates will affect levels of employment and unemployment throughout the country. Their major argument is that neither single states nor employers can control the underlying forces that make for full employment or, conversely, for long lines of jobless outside employment offices. While the character of the risk of unemployment differs greatly from state to state, in accordance with the state's natural resources and its type of economic development, a national system of unemployment insurance, coördinated with national economic policy, would place the resources of the whole country behind a united program of protection for all the nation's workers and employers.

A number of groups, including most state administrators of unemployment insurance and employers' organizations, are strongly in favor of continuing the state-by-state operation of unemployment insurance. They argue that this system affords opportunity for the various states to experiment with different types of provisions, thus permitting any state to adopt the one that proves most effective and best suited to its particular needs. They also maintain that a state program can be more responsive to the interests and wishes of the persons immediately concerned than is possible under national administration. In their opinion, unemployment is a local as well as a national problem, and it must be handled in each individual case on a local basis. They believe that there is no evidence that unemployment insurance benefits would be more adequate on a national than on a state basis.

In response to these arguments, advocates of a national system of unemployment insurance claim that the experience during the first decade of the program has not shown wide or effective use by the states of their opportunities for individual experimentation, and that changes in the state laws have had little consistent relationship to particular economic or other conditions within the state or to improvements demonstrated elsewhere. Moreover, they do not believe that operations under a state program are adapted more closely to the interests of the population served than would be the case under a national system with decentralized administration, such as exists in the operation of the old age and survivors' insurance program.

Most of the controversy between advocates of a state system

and those who favor a national system arises out of differences of opinion concerning the desirability of experience rating. Almost universally, those who favor a national system are opposed to experience rating, whereas those who favor the state system also favor experience rating. Although the controversy over this point is a separate issue, from a practical point of view it is impossible to disregard it in discussions of a state versus a national unemployment insurance system.

Liberalization of Benefits and Coverage

There are other basic differences in addition to the question of a state versus a national system of unemployment insurance. It probably is to be expected that in a program so directly related to such dynamic problems as employment and unemployment there is as yet no general agreement on such questions as the amount and duration of benefits and the methods of financing unemployment insurance.

The provisions in the various state laws are constantly being changed and, as indicated previously, there are great differences in them. At the present time, the U. S. Bureau of Employment Security is recommending that benefits be payable for as long as 26 weeks to any worker who is eligible for them and who continues to be unemployed; that the maximum weekly benefit be $30 a week for persons without dependents, and $45 for persons with three or more dependents, for workers whose prior earnings entitle them to the maximum; that the waiting period be only one week in a benefit year; that definitions of good cause for leaving voluntarily and refusing suitable work include good personal reasons, as well as those attributable to the job or the employer; and that disqualification for these causes and for discharge or misconduct entail merely postponement of benefits for not more than four weeks, without cancellation of benefit rights or reduction of the amount.[10]

The problem of extending coverage under unemployment insurance to all persons who work for a living is undoubtedly more difficult than it is under federal old age and survivors' insurance. Small firms now excluded by federal and some state laws could easily be included by amendment of the laws; many states already

[10] 1948 Annual Report of the Federal Security Agency, pp. 143 ff.

cover all small firms, and their experience indicates that such firms can be covered. Coverage of nonprofit institutions would not raise any administrative problems. Coverage of such groups as agricultural laborers and domestic employees raises difficult problems of determining when such persons are "unemployed," and it is doubtful whether the existing eligibility and benefit provisions would be satisfactory for them without modification. The extensive interstate movement of large numbers of migratory agricultural laborers would be difficult to treat simply and equitably on a state-by-state basis.

With respect to financing unemployment insurance, the important question is whether the program should be financed entirely from employer contributions or shared by contributions from employees and general tax revenues. In view of the fact that under present state programs the financing of unemployment insurance is connected with experience rating, there is little likelihood of a basic change in one aspect without a change in the other. Organized labor has taken the position that if a single national system is established without experience rating, it would be possible to have employees contribute equally with employers for unemployment insurance. The amount necessary to finance unemployment insurance on a long-run basis is still largely an undetermined matter. Judging from the experience of the past ten years and employment prospects for the immediate future, the federal standard 3 percent contribution is more than sufficient to finance the existing level of benefits for a substantial period of time.

RAILROAD UNEMPLOYMENT INSURANCE

Under the Social Security Act of 1935 railroad employees were covered by the 3 percent federal tax against which employers were allowed certain credits for contributions paid into state unemployment insurance funds. In 1938 Congress passed a law which withdrew these employees from the state systems and placed them under a single federal unemployment insurance law. In 1946, as explained in Chapter 31, the definition of unemployment in the law was broadened to include unemployment resulting from temporary personal disability.

Although the provisions of the railroad unemployment insur-

ance law are similar in many respects to most state unemployment insurance laws, there are several major differences. Instead of an experience rating for adjusting railroad employer contributions, as under present state laws for other employers, the contribution rate has been placed on a sliding scale. The rate varies from ½ percent to 3 percent of taxable earnings, depending upon the balance in the insurance account.[11] The amounts payable are determined at flat rates per day, in accordance with the individual's annual earnings, rather than at weekly amounts, as under almost

TABLE 26. Benefits Under the Railroad Unemployment Insurance Law, 1949

Annual Railroad Wages	Unemployment Benefit		Maximum in Benefit Year
	Daily	Weekly	
$ 150 to $ 199.99	$1.75	$ 8.75	$227.50
200 to 474.99	2.00	10.00	260.00
475 to 749.99	2.25	11.25	292.50
750 to 999.99	2.50	12.50	325.00
1000 to 1299.99	3.00	15.00	390.00
1300 to 1599.99	3.50	17.50	455.00
1600 to 1999.99	4.00	20.00	520.00
2000 to 2499.99	4.50	22.50	585.00
2500 and over	5.00	25.00	650.00

all state laws. After the first 2-week period of unemployment, in which benefits are paid for all days of unemployment in excess of seven, payments are made for all days of unemployment in excess of four in a 2-week period. The railroad law, in effect, provides benefits up to a maximum of 26 weeks, with a minimum weekly benefit of $8.75 and a maximum of $25.

The railroad unemployment insurance law contains several provisions with regard to qualifications and disqualifications for receiving benefits which are not found customarily in state laws. Among other provisions, the railroad law specifies that no work shall be deemed suitable, and benefits shall not be denied a worker for refusing to accept work, if: 1) Acceptance of the work would require him to engage in activities in violation of the law or which, by reason of their being in violation of reasonable requirements of

[11] Since January, 1948, the minimum rate of ½ percent of wages has been in effect. As explained in chap. 31, these contributions also cover payments for sickness benefits.

the constitution, by-laws, or similar regulations of a bona fide labor organization of which he is a member, would subject him to expulsion from such labor organization; or (2) acceptance of the work would subject him to loss of substantial seniority rights under any collective bargaining agreement.

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CHAPTER 30

WORKMEN'S COMPENSATION

INSURANCE AGAINST DISABILITY INCURRED FROM INDUSTRIAL HAZARDS is the oldest form of social security in this country. Its broad title, workmen's compensation, is evidence that when the program was initiated early in this century there was little thought or expectation that other forms of social insurance for workers would be adopted.

Workmen's compensation laws are designed to give an injured worker prompt medical care and money payments at the cost of the employer, and with a minimum of inconvenience to the worker. Before these laws were passed the only recourse an injured worker had was court appeal, and if he sued his employer for damages he had to prove that the employer was negligent. The employer, on the other hand, had as his defense contributory negligence, the assumption of risk, and the fellow-servant rule. The court remedy was slow, costly, and uncertain. Few cases were ever won by the workmen, and the great majority of industrial injuries and deaths were never brought to the courts.

Under the compensation law, the question of fault or blame for the accident is not raised, since the cost of work injuries is considered part of the expense of production and most employers are insured for the amounts paid. Injured workers are thus spared the difficulties and delays of court procedure.

DEVELOPMENT OF WORKMEN'S COMPENSATION LAWS

Late in the nineteenth century, the mounting toll of work accidents caused by the rapid mechanizing of industry focused attention on the plight of the injured workers, who were seldom able

to recover damages for their disabilities and often became charges upon public or private charity. The first legislation providing benefits for work injuries in this country was enacted in Maryland in 1902, but this law was declared unconstitutional after less than two years' operation on the ground that it deprived both the employer and the employee of trial by jury and conferred judicial functions upon an executive officer. In 1908 the federal government passed a compensation law covering certain of its employees.[1] The following year Montana enacted a law to cover coal miners. Although this law provided for compulsory employer and employee payment of the tax, it permitted the injured worker to ignore the compensation provisions and sue the employer under common law. The state court declared the law unconstitutional because of this double obligation upon the employer. In 1910 New York passed a comprehensive law without the common-law liability feature, but it also was declared invalid by the highest court in the state.

In spite of these adverse judicial decisions, 10 states enacted compensation laws in 1911, and 20 more, in addition to Alaska, Puerto Rico, and Hawaii, did so during the following five years.

In 1917 all doubts as to the constitutionality of workmen's compensation laws were removed when the United States Supreme Court in a series of decisions upheld the three prevailing types of laws: the compulsory, the elective, and the compulsory with an exclusive state fund.[2] During the next two years, eight more states enacted compensation laws and many of the earlier laws were strengthened by extending their coverage and liberalizing their benefits. Workmen's compensation legislation suffered the same fate as other kinds of labor legislation during the 1920's; only two new state laws, one for the District of Columbia, and one for longshoremen, were enacted. During the 1930's all the remaining states but one passed compensation legislation; the remaining state, Mississippi, enacted a compensation law in 1948.

[1] Prior to the passage of this act it was only by special act of Congress that a federal employee could recover compensation for injuries. This first law was very limited in its coverage; more adequate laws for federal employees were enacted after 1916.

[2] *N. Y. Central Railroad Co.* v. *White,* 243 U. S. 188 (1917); *Mountain Timber Co.* v. *State of Washington,* 243 U. S. 219 (1917); *Hawkins* v. *Bleakly,* 243 U. S. 210 (1917).

Purpose of Workmen's Compensation

Sponsors of workmen's compensation legislation in the earlier years cited five results which they hoped such legislation would accomplish. More recently, two additional goals have been sought. In all their variations, workmen's compensation laws in general are designed to:

1. Furnish certain, prompt, and reasonable compensation to the victims of work accidents and their dependents.
2. Free the courts from the delay, cost, and criticism incident to the great mass of personal injury litigation heretofore burdening them.
3. Relieve public and private charity of much of the destitution due to uncompensated industrial accidents.
4. Eliminate economic waste in the payments to unnecessary lawyers, witnesses, and casualty corporations, and the expense and time loss due to trials and appeals.
5. Supplant concealment of fault in accidents by a spirit of frank study of causes, thereby lessening the number of preventable accidents and reducing the cost and suffering thereunder.
6. Provide for immediate and adequate medical treatment when the injury occurs.
7. Provide for rehabilitation of workers who, because of their injuries, are no longer able to follow their former occupations.

COVERAGE OF WORKMEN'S COMPENSATION LAWS[3]

In spite of the fact that all the states as well as the federal government have compensation laws, less than 50 percent of the wage earners of the country are now protected by these laws. This is due to coverage limitations in the laws and to the adoption, by more than half the states, of an elective rather than a compulsory system.

Elective and Compulsory Coverage

Compensation laws may be classed as compulsory or elective, depending upon the degree of constraint to which employers are

[3] All the statistical data on workmen's compensation in this chapter are from various reports of the U. S. Department of Labor.

subjected to accept the provisions of the law. A compulsory law is binding upon every employer and employee within its scope; there is no choice. Under an elective act, employers and employees have the option of either accepting or rejecting it. In case the employer rejects, the customary common-law defenses in injury litigation are usually removed; if the employee rejects, the workmen's compensation principle of liability of the employer without regard to fault is not applicable to an action for damages. In practice, employees rarely reject coverage except where employers have urged it or made it a condition of employment.

As is shown in Table 27, about half of the workmen's compensation laws are compulsory and many of the elective laws are compulsory as to some employments, such as "hazardous" occupations; on the other hand, some of the compulsory laws are elective or voluntary as to employers who have very few employees.

Exempted Occupations and Industries

No compensation law covers all employees. The largest group of wage earners deprived of workmen's compensation protection by specific exclusion in state laws is agricultural workers; other specific exclusions apply to domestic servants, casual workers, and employees of charitable institutions. Exclusion of farm labor is due mainly to the opposition of farmers to compensation coverage. A step toward inclusion is the coverage, in some states, of mechanized or power operations, especially when the operation is for gain and not carried out in the course of a farmer's own production routine. The California law is applicable to a farmer whose pay roll has been more than $500 in the preceding year unless he elects not to be covered.

In most of the states, farmers may voluntarily come under the compensation law by insuring and posting notice of acceptance; but in Alabama and Oklahoma the exclusion is such that only liability, not workmen's compensation insurance, can be obtained. The laws of Ohio and Puerto Rico provide compulsory coverage for agricultural labor for employers with three or more workmen; the Hawaii law is compulsory for all agricultural employees.

In general, the legal obstacles to the inclusion of agriculture apply also to domestic service. Examples of steps toward workmen's compensation for domestic servants are the California pro-

TABLE 27. Coverage of Workmen's Compensation Laws, 1949

States	Employers Exempt Who Have Fewer Than[a]	Occupational Diseases Covered	Compulsory or Elective[b]
Alabama	8 employees	None	Elective
Alaska	3 employees	Full coverage	Compulsory
Arizona	3 employees	36	Compulsory
Arkansas	5 employees	15	Compulsory
California		Full coverage	Compulsory
Colorado	4 employees	21	Elective
Connecticut	5 employees	Full coverage	Elective
Delaware	3 employees	16	Compulsory
District of Columbia		Full coverage	Compulsory
Florida	3 employees	Full coverage	Elective
Georgia	10 employees	14	Elective
Hawaii		Full coverage	Compulsory
Idaho		11	Compulsory
Illinois		Full coverage	Compulsory
Indiana		Full coverage	Elective
Iowa		16	Elective
Kansas	5 employees	None	Elective
Kentucky	3 employees	Silicosis & gas	Elective
Louisiana		None	Elective
Maine	6 employees	13	Elective
Maryland		39	Compulsory
Massachusetts	4 employees	Full coverage	Compulsory
Michigan	8 employees	Full coverage	Compulsory
Minnesota		Full coverage	Compulsory
Mississippi	8 employees	None	Compulsory
Missouri	11 employees	Full coverage	Elective
Montana		None	Elective
Nebraska		Full coverage	Elective
Nevada	2 employees	Full coverage	Compulsory
New Hampshire	5 employees	12	Compulsory
New Jersey		13	Elective
New Mexico	4 employees	30	Elective
New York	4 employees	Full coverage	Compulsory
North Carolina	5 employees	25	Elective
North Dakota		Full coverage	Compulsory
Ohio	3 employees	Full coverage	Compulsory
Oklahoma	2 employees	None	Compulsory
Oregon		Full coverage	Elective
Pennsylvania		12	Elective
Puerto Rico	3 employees	17	Compulsory
Rhode Island	4 employees	31	Elective
South Carolina	15 employees	None	Elective
South Dakota		24	Elective
Tennessee	5 employees	9	Elective
Texas	3 employees	15	Elective
Utah		Full coverage	Compulsory
Vermont	8 employees	None	Elective
Virginia	7 employees	46—all permissible	Compulsory
Washington		Full coverage	Compulsory
West Virginia		Full coverage	Elective
Wisconsin	3 employees	Full coverage	Compulsory
Wyoming		None	Compulsory
United States:			
Longshoremen's Act		Full coverage	Compulsory
Civil employees		Full coverage	Compulsory

[a] Most of the states which exempt small employers permit them voluntarily to accept compensation coverage. In some states the exemptions do not apply to certain hazardous occupations.

[b] Some elective laws are compulsory for certain occupations and some of the compulsory laws are elective for employers with a very few employees. For example, a number are elective for private employees but compulsory for public employees; the Indiana, Kentucky, and Montana laws are compulsory for coal mining, and the Texas law for motorbus employees.

vision covering employees working over 52 hours a week and the New York provision covering domestic servants employed a minimum of 48 hours per week in cities of 40,000 or more. The laws of Connecticut and New Jersey cover domestic service, but the Connecticut law is applicable only to employers of five or more servants, and in New Jersey the employer is not required to insure. Casual employments are excluded from coverage under a majority of the state workmen's compensation laws.[4] The term "casual" employment is not readily defined but it generally refers to employment which is not usual in the course of the employer's business, that is, not regular or periodical.

Two important groups of wage earners not covered by any type of workmen's compensation are railroad workers and seamen. Although state legislation is impracticable for these two groups, federal legislation would no doubt be favorably considered if these workers urged its enactment. Up to the present time, these groups have preferred to recover damages for work injuries on their ability to prove negligence on the part of their employers[5] rather than accept payments prescribed by compensation laws.

Numerical Exemptions

In addition to the exclusion of designated industries, there are other restrictions which deprive substantial numbers of workers from receiving compensation when disabled in the course of their employment. In 29 states, Alaska, and Puerto Rico, employers of less than a stipulated number of employees are exempt from compensation coverage requirements, although most of the acts permit voluntary acceptance. As is shown in Table 29, the number of employees for exemption ranges from 2 to as many as 10 or 15, although most acts specify from 3 to 5. In some of these laws the numerical exemption does not apply to certain occupations such

[4] Casual employment is covered under the laws of Alaska, Kansas, Kentucky, Louisiana, Maine, New Hampshire, New York, Oklahoma, Oregon, Washington, and West Virginia.

[5] The federal Employer's Liability Act of 1908 for railroad workers, and the Seamen's Act of 1915 and the Merchant Marine Act of 1920, strip the employers of their customary common-law defenses, such as the fellow-servant rule, and enable railroad workers and seamen to recover damages upon proof of negligence on the part of any agents or employees of the employer, or when any prescribed safety provisions have been violated, regardless of whether or not the injured person was guilty of some negligence himself.

as mining, building construction, logging, and other especially hazardous employments.

Hazardous Employments

In 11 states (Illinois, Kansas, Louisiana, Maryland, Montana, New Mexico, New York, Oklahoma, Oregon, Washington, and Wyoming) the compensation laws apply mainly to listed "hazardous" or "extra-hazardous" employments. The use of these terms was an expedient adopted in the early days of workmen's compensation legislation to meet the risk that such laws might be held unconstitutional by the courts. However, it has long been known that this device is not needed to assure constitutionality, and its retention in some states is a major obstacle to the wide coverage of workers.

In a few of the states with this type of coverage the list of hazardous industries is comprehensive. In New York it is so complete that most employments are covered. However, even in the states where it is fairly complete, difficulties of interpretation arise because the laws in some cases contain both specified and general provisions.

INJURIES AND DISEASES COVERED

Compensation laws are limited, not only as to persons and employments included, but also as to injuries covered. No state holds an employer responsible for every injury received by his employees. Some injuries are compensable and others are not. Workmen's compensation laws are not designed to provide general accident and health insurance and, if strictly interpreted, cover only disabilities received in the course of employment and as a natural consequence of it. The usual definition of a compensable disability is one "arising out of and in the course of employment."

Occupational Diseases

Most of the compensation acts contain specific limitations of one or two kinds, the first relating to the conditions under which the injury was sustained, and the second relating to the nature of the injury, that is, whether sudden and violent or gradual in onset and effects. Sudden and violent injuries are usually called injuries

by accident, or traumatic injuries. An industrial injury that is gradual in onset is classified as a disease. The latter is covered by the compensation act in some jurisdictions, but in others it is not compensable. However, the distinction between the terms "accident" and "injury" has been blurred by varying interpretations. For example, lead poisoning has sometimes been construed to be an "accidental" injury. Such interpretations have been made in applying the law to individual cases rather than establishing a general rule.

An increasing number of states are mitigating this confusion by covering specific occupational diseases; others go further by providing "blanket" coverage and broadening the definition of "injury" to include any mental or physical harm to an employee caused by accident or disease growing out of and incidental to his employment. According to their 1949 laws, as shown in Table 29, the laws of 18 states, Alaska, the District of Columbia, Hawaii, and the two federal laws, covered all occupational diseases, and 21 other states and Puerto Rico covered a varying number of listed diseases. Only 9 states had no provision for occupational diseases.

BENEFIT PAYMENTS

The benefit scale is the heart of any compensation system, for upon its adequacy rests the injured worker's chance for decent maintenance during helplessness, and the protection of his dependent family from destitution or a lowered living standard. The amount of money that injured workers receive under the different acts is determined by the rate, usually a percentage of the wage; the term or period of payment; the weekly maximum; and the aggregate maximum. The amount and method of payment also differ according to the type of injury. The acts prescribe certain payments in case of death and in case of permanent total disability, and also have specific provisions covering permanent partial disability and temporary total disability.

Waiting Period

All the states except Oregon provide that during a specified period of time immediately following the injury, compensation shall not be paid. This "waiting time" ranges from a minimum of

one day to a maximum of ten days, with the majority of the states requiring a seven-day waiting period. Most of the laws provide that if the disability continues for a certain number of weeks, the payment of compensation is retroactive to the date of injury. The waiting period relates only to cash compensation; both medical and hospital care are provided immediately when needed.

Weekly Compensation Based on Wages

Except in a few states which pay fixed sums, the scale of weekly compensation is based upon a percentage of the worker's earnings. Among the different states, payments to disabled persons vary from one-half to two-thirds of their wages; Wisconsin pays as much as 70 percent. In case of death, about the same amounts are paid to widows with children, but where there are no dependent children the payments are usually less; in some states the equivalent of only a third of the deceased's wages is paid to a childless widow.

Workers or their survivors do not necessarily receive the amount indicated by these percentages, for all the laws except those for Alaska and Arizona place a limitation on the maximum amount of weekly benefits; in some cases it varies with the number of the workers' dependents. Maximum weekly payments in a few states range from $30 to $38 a week but the greater number of states provide between $20 and $25. Especially when earnings are relatively high, the maximum payments amount to only a fraction of regular wages, making it difficult for the worker and his family to meet accustomed living costs. Although minimum amounts are also provided, this floor under compensation payments in a majority of the states is ineffective if the actual wages of the disabled person were less than the specified minimum. Most of the specified minimum weekly benefits are much less than is required for bare subsistence, which means that in cases of prolonged disability at least, the workers and their families must seek assistance elsewhere.

Medical Benefits

All the compensation acts require that medical aid be furnished to injured employees. In the early legislation this provision was

narrowly restricted as to the monetary cost or the period of treatment, or both. In the later development of the acts such absolute restrictions have been changed in a majority of the states, either by providing for unlimited benefits or by authorizing benefits in addition to the initial maximum upon the approval of the administrative authority. Forty-four acts require the employer to furnish artificial limbs and other appliances.

Death Benefits

Methods for determining compensation for death vary considerably and do not in all cases depend upon the fact that the deceased was a source of support to his legal beneficiaries. Most of the compensation laws base death benefits on the average weekly wages of the deceased workman, but in Oregon, Washington, West Virginia, and Wyoming a flat pension is paid, while in Alaska a lump sum is paid. Oklahoma pays no death benefits.

The Arizona, Nevada, New York, North Dakota, Oregon, Washington, and West Virginia laws, and the United States Civil Employees' and Longshoremen's Acts include provisions for benefits to be paid to a widow for life, or until remarriage, and in the case of children until a specified age is reached. The other states limit the period or total amount of payments. In a majority of states death benefits are limited to payment over a specified period ranging from 260 to 600 weeks, but in some cases payments to children continue until they reach 16 or 18 years of age. Some of these states, as well as several others which have no time limitations, limit the maximum amount which may be paid. The total maximum amounts range from $3500 in Puerto Rico to $12,000 in Missouri.

Permanent Total Disability

In 18 states[6] and also under the federal acts for compensating injuries to longshoremen and civil employees, benefits for permanent total disability are paid during the entire lifetime of the injured person. In the other states the payments are limited as to time or amount, or both. The time periods range from 260 to 1000

[6] Arizona, California, Colorado, Delaware, Idaho, Illinois, Massachusetts, Missouri, Nebraska, Nevada, New Jersey, New York, North Dakota, Ohio, Oregon, Washington, West Virginia, Wisconsin.

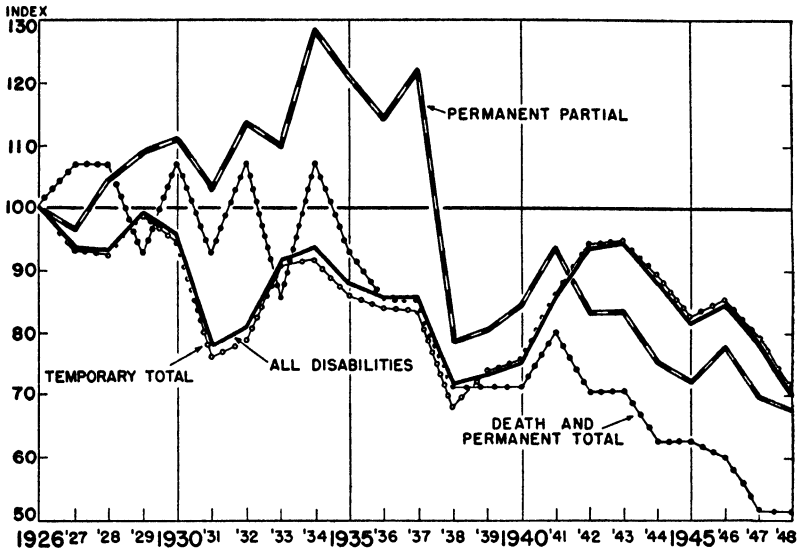

FIG. 35. *Trend of Industrial Injury Frequency Rates in Manufacturing, 1926–1948. 1926 = 100.* (*Source: Bureau of Labor Statistics.*)

weeks, and the money limitations from $5200 to $12,000. The federal Civil Employees' Act, and also the laws of Arizona, Hawaii, Nevada, and Washington, provide additional payments for an attendant if one is required. In some states the payments are different for single and married persons, with additional amounts for dependent children. Several laws provide for decreased amounts as the period of disability lengthens, for example, 66⅔ percent of wages for the first 300 weeks and 25 percent thereafter.

Second Injuries

When an employee has sustained an injury involving the loss of a bodily member and loses another as a result of a second industrial injury, he may become permanently and totally disabled, thus increasing the amount of workmen's compensation to be paid if the worker receives full payment for his combined disabilities. All the compensation laws except those of Louisiana and the United States Civil Employees' Act contain special provisions regarding the payment of compensation in such cases.

A few of the laws limit the amount paid the worker to the usual

award that would be paid for an injury of the type last received, regardless of the actual disability resulting from the combined injuries. Under more advanced legislation, payment is made for the final disability resulting from the combined injuries. However, if the cost of such compensation is imposed upon the latest employer, handicapped persons may find it difficult to obtain employment. To meet such problems, "second-injury funds" have been created, so that if a second injury occurs the employer has to pay only for the last one, the remainder of the award being paid from the fund.

Permanent Partial Disability

Permanent partial disabilities are classified as specific or schedule injuries, such as the loss, or the loss of use, of an arm or finger, and "nonschedule" injuries or those of a more general nature, as, for example, disability caused by injury to the head or back. The measure of compensation for specific or schedule injuries is usually a stated number of weeks, but under the laws of Alaska, Washington, and Wyoming the payments are fixed sums, and in California they are based upon the degrees of disability. The principle underlying arrangements for established schedules of payments is that if the worker knows definitely what aid to depend upon after an injury, he will be encouraged to adjust himself to his handicap and recover his place in industry within a given period of time. Moreover, there are federal-state provisions for "rehabilitation" in the form of retraining, education, or placement and job guidance, to help the injured person find suitable work before the period of compensation elapses.

Temporary Total Disability

The great majority of compensation cases involve temporary disability, which ends with the cure of the injured person and his return to work. A majority of the laws establish a maximum number of weeks for payment of benefits regardless of whether or not the person has recovered from his disability. Under 17 of the 54 laws there are no such limitations, benefits being paid throughout the period of disability. However, some of these laws indirectly restrict the period for benefits by specifying a fixed maximum amount which may be paid in any case of disability.

The maximum provisions for payment of benefits for temporary

TABLE 28. Maximum Workmen's Compensation Benefits for Temporary Total Disability, 1949

State	Percent of Wages	Weeks Duration	Weekly Limit	Annual Limit
Alabama	65	300	$18.00	. . .
Alaska	65	P.D.[a]	....	....
Arizona	65[a]	433	....	.
Arkansas	65	450	20.00	$ 7,000
California	61¾	240	30.00	7,200
Colorado	50	P.D.	17.50	.
Connecticut	50	520	32.00	...
Delaware	60	P.D.	21.00	
District of Columbia	66⅔	P.D.	35.00[b]	11,000
Florida	60	350	22.00	..
Georgia	50	350	20.00	7,000
Hawaii	66⅔	P.D.	25.00	7,500
Idaho	60	P.D.	17.00	.
Illinois	65	P.D.	26.00[c]	7,150
Indiana	55	500	20.08	7,500
Iowa	60	300	20.00	....
Kansas	60	416	20.00	
Kentucky	65	520	21.00	9,500
Louisiana	65	300	30.00	
Maine	66⅔	500	21.00	7,500
Maryland	66⅔	312	25.00	3,750
Massachusetts	66⅔	P.D	[d]	10,000
Michigan	66⅔	500	21.00	10,500
Minnesota	66⅔	300	27.00	
Mississippi	66⅔	450	25.00	8,600
Missouri	66⅔	400	25.00	....
Montana	66⅔	300	29.50[c]	....
Nebraska	66⅔	P.D.	18.00	...
Nevada	66⅔	433	31.15[c]	12,000
New Hampshire	66⅔	300	25.00	7,500
New Jersey	66⅔	300	25.00	....
New Mexico	60	550	25.00	....
New York	66⅔	P.D.	32.00	5,000
North Carolina	60	400	24.00	6,000
North Dakota	66⅔	P.D.	37.00[c]	.. .
Ohio	66⅔	312	25.00	4,200
Oklahoma	66⅔	500	21.00	. . .
Oregon	66⅔	P.D.	34.38[c]	. .
Pennsylvania	66⅔	500	20.00	10,000
Puerto Rico	50	104	15.00	..
Rhode Island	60	1000	20.00	12,000
South Carolina	60	500	25.00	6,000
South Dakota	55	312	25.00	....
Tennessee	60	300	20.00	.
Texas	60	401	25.00	10,025
Utah	60	313	25.00	8,500
Vermont	50	260	20.00	. .
Virginia	60	500	20.00	7,800
Washington	..	P.D.	32.31[c]	....
West Virginia	66⅔	156	25.00	....
Wisconsin	70	P.D.	28.00[b]	....
Wyoming	..	P.D.	35.76[c]	....
United States				
Civil employees	66⅔	P.D.	26.92	....
Longshoremen	66⅔	P.D.	35.00[b]	11,000

[a] Plus $10 per month for total dependents residing in U. S.
[b] Additional compensation for maintenance during vocational rehabilitation.
[c] Graduated to this amount according to number of dependents.
[d] $25 plus $2.50 for each total dependent up to equivalent of wages.
[e] P.D. indicates Period of Disability.

total disability are shown in Table 28. Under some laws the allowable maximums are graduated according to the number of persons dependent upon the disabled persons. Several of the maximums shown, for example, are payable only when the disabled person has five or more dependents. Minimum weekly benefits range from $3 in Puerto Rico to $18 in Massachusetts, with most laws providing that actual wages shall be paid if less than the specified minimum.

ADMINISTRATION OF WORKMEN'S COMPENSATION LAWS

There are two broad phases of workmen's compensation administration, namely, arrangements for insuring compensation risks and methods for adjusting individual claims. There are many problems and differences of opinion with respect to both.

State and Private Insurance

To make certain that benefit payments will be made when due, the states require that the covered employer shall either obtain insurance or give proof of his qualifications to carry his own risk. The latter is known as self-insurance.

At the time the early compensation laws were enacted, private insurance carriers were insuring employers against losses through litigation under the common law and the employers' liability acts. Since the workmen's compensation laws were designed to displace the common-law and statutory basis for litigation, the continuation of private insurance arrangements for covering workmen's compensation risks was a natural development. In most of the states today, the employer is permitted to insure with private insurance companies. State insurance systems exist in 18 states and Puerto Rico; in some of these the system is called "exclusive" because employers are required to insure their risks in the state fund. There are competitive state funds in 11 states; in them employers may choose whether they will insure their risks through the state fund or with private insurance companies, or qualify as "self-insurers" with the privilege of carrying their own risks.

Among those responsible for the administration of workmen's compensation, there are differences of opinion as to the relative

merits of state versus private insurance systems. Criticism of the latter is based on the refusal of insurance companies to accept bad or unwanted risks even though under a social interpretation of workmen's compensation the worst as well as the best risks require insurance and humane service. Also there is frequent concern regarding a private company's continued solvency. Regardless of the adequacy of the benefits provided in a law, the benefits are jeopardized if employers are insured by a company which may become insolvent and unable to pay claims when due.

Fears regarding deficiencies on the part of private insurance systems have led to the establishment of state funds, sometimes exclusive and in other cases as a competitor of those furnished by the private companies. However, there is also criticism with respect to state systems. Those in existence have been handicapped because of their dependence upon legislative appropriations for administrative support, complicated claims procedure and recourse to court appeals, political turnover of administrators, and salaries which are inadequate to obtain technically qualified personnel.

In the United States the experience with different methods of insuring injury risks has not yet been such as to convince the various state legislatures that any one method is superior to the others, and there is no immediate prospect of a uniform adoption of one type of system.

Claims Administration

In establishing the workmen's compensation system, one of the main purposes was to provide a prompt, simple, convenient, and inexpensive method of settling the claims of injured workers. This purpose has not been completely realized although the workmen's compensation system has conclusively demonstrated its superiority over the former common-law and statutory "liability" remedies in the courts.

The main methods of settling workmen's compensation claims are: by direct settlement, by the agreement system, and by the hearing system. A few states still provide court procedure. Court procedure is a survival of the earlier practice and it has been generally recognized that courts are not properly equipped to render the type of service needed for workmen's compensation adminis-

tration because of the many correlated responsibilities involved.

Under the direct-settlement plan, employers or insurance companies begin payment to the injured worker on their own initiative, subject to a supervisory check by the proper state agency. The injured worker is not asked to sign any papers other than receipts for the money he is paid, nor does he have to agree to anything. He does not have to make any bargain whatever with the employer or insurance carrier; the law specifies what he is entitled to receive, and if he does not get it the state agency is supposed to correct the discrepancy either by checking on reports and receipts or by holding conferences or hearings attended by the interested parties.

Under the agreement system the employer or insurance carrier has the injured worker agree to a certain settlement. Payment is then made to him, either immediately or after approval of the settlement by the state agency. In the case of lax or inadequate supervision by the state agency, gross abuses may arise under either the direct-settlement or the agreement system. Investigations have shown that workers have lost millions of dollars annually because of inadequate supervision of claims adjustments by private companies.[7]

In theory, the most complete supervision of claims adjustment conceivable would be automatic open hearings held by the state agency on every injury case. This would provide the worker with ironclad protection against an unjust settlement. In practice the disadvantages of such a system for all cases are: the workers' loss of time and money in attending hearings; delays and continuances from congested hearing dockets; the pressure of minor cases, making it difficult for the referees to give adequate consideration to the serious injury cases; inconvenience to physicians having to attend the hearings; and expense to the employers and insurance carriers for attendance or representation.

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[7] The best-known examples of studies of claimant's losses on settlements are the Connor investigation in New York and the 1934 Pennsylvania survey. The investigation by Jeremiah F. Connor was made in 1919, but similar conditions as to inadequate supervision are still found in a number of states. See U. S. Bureau of Labor Statistics, Bull. No. 275, p. 117; Walter F. Dodd, *Administration of Workmen's Compensation,* Commonwealth Fund, New York, 1936, p. 108; Pennsylvania Department of Labor and Industry, Special Bulletin No. 40, Pt. I-b, 1934.

There is a system which is a compromise between a direct-settlement or agreement system with inadequate supervision by the state, and a universal hearing system. Under it, uncontested cases are settled directly, but under close supervision by the state agency, and contested cases are settled after open hearings.[8] Following the initial settlement there is a systematic plan for investigating and following up cases in which there is a probability that injured employees are entitled to increased compensation.

REHABILITATION OF INJURED WORKERS

When the first workmen's compensation laws were enacted, the main task in the minds of the legislators was to find a way to provide prompt medical and financial aid to injured workmen. These laws gave great impetus to the safety or accident-prevention movement, because the excessive number and severity of accidents meant high insurance costs to the employer. As a result of the operation of these laws a definite money value was set upon the loss of a worker's limb or life, and humane sentiments were thus reinforced by economic considerations. The work of the compensation agencies was expanded to include either direct activity in accident prevention or coöperation with state and private agencies interested in that task. But even with accident-prevention work and medical and financial aid, the program of service for victims of industrial accidents was incomplete.

Following World War I there was a growing feeling that injured workers should be put on the same basis as wounded soldiers and given equal opportunities for restoration to vocational activity. As a rule, the early compensation acts provided meager financial benefits and limited medical aid. The compensation often stopped before the worker's reëmployment began. Liberalizing the financial benefits did not completely fill the gap. If the workman was to be restored as nearly as possible to his condition before he was injured, it was evident that something more than a pension was needed. He must be refitted for an active, productive life, instead of being left a dependent invalid.

[8] Wisconsin is usually cited as a good example of this method. See A. J. Altmeyer, *The Industrial Commission of Wisconsin*, University of Wisconsin Studies in the Social Sciences and History, No. 17, Madison, 1932.

A few states, acting independently, took steps to include rehabilitation in the scope of the service rendered their injured workers. But the support of this work was uncertain because of fluctuations in state appropriations. The necessity for federal coöperation in the program was recognized.

In 1920, in response to this need, a federal Vocational Act was passed which provided federal grants to states for the vocational rehabilitation of disabled persons, whatever the causes of their disability. Federal appropriations were increased in the 1939 Social Security Amendment, and in 1943 the federal program was expanded to provide for remedial treatment as well as for job training. Under the 1943 statute, federal grants cover the entire administrative cost of approved state vocational rehabilitation programs, and half the expense for rehabilitating individuals.[9]

Since the inauguration of federal aid, many states have improved and expanded their programs in order to make their rehabilitation service practical and effective for persons disabled as a result of industrial accidents. This coöperation in rehabilitation is the newest and one of the most promising phases of workmen's compensation programs, and the degree to which it succeeds is one measure of the efficiency of workmen's compensation administration. However, many of the states have not taken full advantage of their opportunities under the federal-state coöperative plan. Their rehabilitation agencies are undermanned or unsatisfactorily staffed, and the instruments and facilities available are relatively meager. In only a few states, such as Rhode Island, are there reasonably adequate clinical facilities or curative centers, with full-time programs for the rehabilitation of injured workers.

ACCIDENT STATISTICS

Current statistics on accidents prove the need for workmen's compensation and its allied programs for accident prevention and rehabilitation. Every year between one and one-half and two million wages earners[10] are disabled in this country because of work

[9] The Barden-LaFollette Act of 1943 is not confined to industrial workers but covers rehabilitation of all civilians. It provides for payment of the entire expense of vocational rehabilitation for persons injured in nonmilitary war service.

[10] An estimated additional 400,000 self-employed persons are injured during

injuries. Each year approximately 12,000 of these injuries result in death, and 1500 cause permanent total disability. More than 75,000, on the average, cause partial disability of a permanent nature, such as the loss of a limb, hand, or eye. In the majority of cases, the injured workers recover completely after short or prolonged medical treatment. The average time lost per temporary disability amounts to 16 or 17 days.

The total time lost as a result of industrial injuries during an average year amounts to more than 40 million man-days, or the equivalent of the full-time employment of about 150,000 workers. These estimates of lost time make no allowance for the future economic losses occasioned by deaths and permanent impairments. If these were included, the total economic loss caused by work injuries during an average year would equal the full-time annual employment of about 770,000 workers.

Longshoring is probably the most hazardous industry so far as partially disabling work injuries are concerned. After an investigation of conditions among longshoremen in 1942, a government report stated:

> Despite the fact that every one connected with the longshore industry seems fully aware that this is one of the most hazardous of all industries, there is little evidence of any serious attempts to carry on a safety program. . . . Particularly on the South Atlantic and Gulf Coasts, safety-code provisions are seldom followed. Hardly any of the contract stevedores maintain any accident records beyond those which are legally required for workmen's compensation purposes. . . . In spite of the fundamental and seemingly obvious necessity for maintaining first-aid facilities where injuries are known to occur, it was frequently found that not even a first-aid kit was provided. In only a very few instances was there a first-aid room with a trained attendant in charge. The use of personal protective equipment is almost unknown. Goggles and respirators are used only when the work is such that it would be physically impossible to carry on without them.[11]

More fatalities occur in coal mining than in any other industry. During recent years, between 1500 and 1900 miners have been killed each year and about 90,000 have suffered injuries, many of

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the course of their work. These statistics do not include accidents, in the home or elsewhere, not connected with gainful employment.

[11] *Monthly Labor Review*, January, 1944, p. 1.

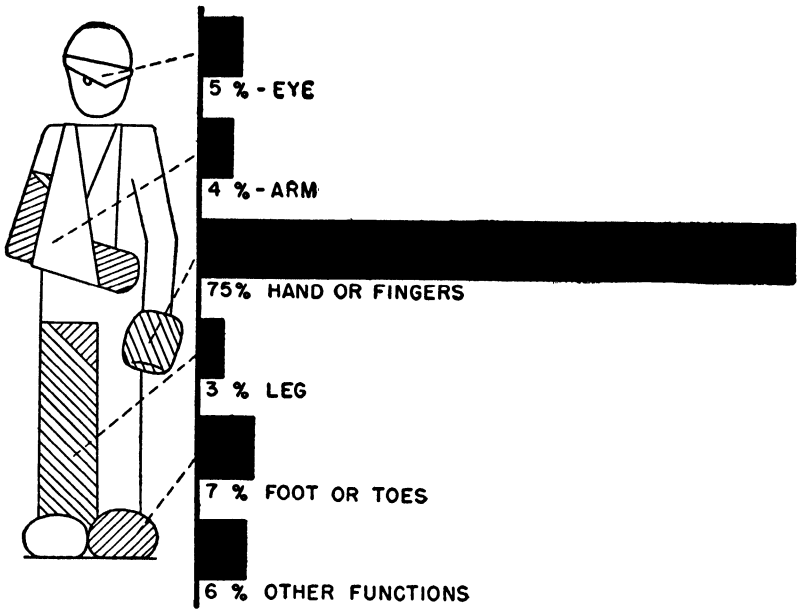

FIG. 36. *Industrial Injuries According to Part of Body Affected, 1945.* (*Source: Bureau of Labor Statistics.*)

them of a permanent nature. The miners' situation was aggravated by the fact that workmen's compensation was not compulsory in a number of coal mining states and many miners received no compensation during disability, nor did their families receive benefits in case of fatal injuries. In Kentucky, for example, workmen's compensation was not made compulsory until 1946, after expressions of public indignation aroused by an accident in which 24 lives were lost. The question of safety rules was one of the issues in the prolonged coal strike during the spring of 1946. When the government took over the mines it established a uniform safety code for government-operated mines which previously had been under the various state safety codes, some of which were fairly adequate but many of which were not only inadequate but poorly enforced. The current coal mining agreements provide for the continuation of the federal safety code.

The accident rate for loggers and sawmill workers is also extremely high, and that for truck drivers is far above the average.

Although the accident rate in the steel industry, especially in foundries, is relatively high, hazards have been greatly reduced during recent years as a result of safety education campaigns and the enforcement of safety rules.

TABLE 29. Disabling Work Injuries to Employees, 1939–1949[12]

Year	Total	Fatalities	Permanent Total Disabilities	Permanent Partial Disabilities	Temporary Total Disabilities
1939	1,430,300	15,000[a]		94,600	1,320,700
1940	1,696,900	16,600		80,600	1,599,700
1941	1,983,400	17,500		91,800	1,874,100
1942	1,834,600	13,400	1,400	80,800	1,739,000
1943	1,961,400	13,400	1,400	86,900	1,859,700
1944	1,802,100	11,200	1,400	76,000	1,713,500
1945	1,600,900	11,300	1,500	70,100	1,518,000
1946	1,614,700	11,700	1,400	72,900	1,528,700
1947	1,634,600	12,300	1,400	71,800	1,549,100
1948	1,552,100	11,700	1,400	68,100	1,470,900
1949	1,409,000	10,700	1,200	61,100	1,336,000

[a] Separate figures for these two classifications are not available before 1942.

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CHAPTER 31

DISABILITY AND HEALTH INSURANCE

THERE ARE FOUR MAJOR CONTINGENCIES WHICH AFFECT THE SECURITY of income of workers and their families and over which they have little or no personal control: forced retirement because of old age, lack of available or suitable jobs, death of the wage earner, or his inability to work because of sickness, accident, or other physical impairment. At the present time social security measures are least adequate for the last-mentioned situations despite the fact that disability, while it lasts, may be economically more disastrous for a worker or his family than unemployment, death, or forced retirement because of old age.

Each day nearly four million wage earners in this country are kept from working because of some disabling condition. Over two million of them have been disabled for six months or longer. For the great majority of these workers and their families the loss of income and the costs incident to their disability entail serious deprivation and suffering.

Although compensation is afforded substantial numbers of workers who become disabled because of injuries sustained in the course of their employment, relatively few workers in this country are insured for cash income or medical expenses for nonindustrial sickness and injury. Some groups of workers, as indicated in Chapter 14, are covered by private health benefit plans provided by their employers or through collective bargaining, and some through private coöperative organizations. Railroad employees are now insured for disability under a federal law, and several states have recently established programs which provide varying degrees of protection against total loss of income because of disability. Currently there is a great deal of agitation for the exten-

sion of governmental plans to cover costs and loss of income due to sickness and nonoccupational disabilities of wage earners.

GOVERNMENT VERSUS PRIVATE PLANS

Within recent years welfare and benefit plans have been a major objective of many unions in their collective bargaining with employers. These demands for financial and medical assistance represent an extension of the never-ending quest for greater security, and are in line with the world-wide movement for provision against the hazards of sickness which in most other industrial countries has already been provided in one form or another. The question in this country is no longer whether or not the nation's wage earners should have such security, but in what form it should be provided. This issue of means involves many fundamental questions both of principle and practicality.

Shall disability and health insurance for the mass of wage earners be provided through multitudinous individual company or industry programs, the provisions of each one depending upon the collective bargaining strength and desires of the particular group of employees, and the financial status of the particular employer concerned? This is a question of "voluntary" as opposed to governmental "compulsory" methods. Voluntary programs allow maximum opportunity for experimentation and adaptation to the special needs of particular situations. However, there would be no uniformity or equity in benefits provided the various groups of workers throughout the country, and many would be left out entirely.

An important question is the matter of financing. Shall employees, who are the beneficiaries, contribute to the financing of these programs or shall the costs be assumed entirely by employers, that is, be incorporated in the costs of the business enterprise and thus be defrayed by the consuming public? The question of who is to assume the costs has a bearing upon the liberality of the benefits provided. Presumably, more liberal benefits could be provided under plans which are financed by both the employer and employees. Actually, strongly organized groups of employees might press for more liberal benefits under a noncontributory system than they would if they were sharing the costs.

A governmental system of disability and health insurance has the obvious advantage that it can include all, or almost all, workers. It can provide uniform minimum benefits while at the same time allowing for variations above the minimum. Also, there would be no problem of insolvency—an ever-present risk with private plans, especially those dependent upon the financial prosperity of single companies. Under a government system there remains the basic question of how the costs should be borne, as well as administrative problems of degree of federal versus state and local control.

Large sections of the public now favor government extension of our present social security program to include disability and health insurance, although there are wide differences of opinion with respect to coverage, kinds of benefits, methods of administration, and financing.

SCOPE OF DISABILITY INSURANCE

The government programs under consideration are of three kinds, each one being designed for a particular aspect of the insecurities occasioned by loss of health of wage earners. One is a program to provide cash payments for loss of wages during periods of temporary disability. Another is a plan which in essence would broaden the present social insurance provisions to include those who are forced to retire because of permanent disability as well as old age, as at present. The third is a program for compulsory health insurance to cover the financing of medical services and other medical expenses of sick and disabled workers.

Disability insurance refers to cash payments for loss of wages due to disability, in contrast to health insurance which refers to payments for medical services. Disability insurance is usually discussed from two approaches, temporary and permanent, although the line of distinction cannot be consistently maintained in all cases. Disability which at first seems temporary may become permanent. Many disabilities may last for a year or two but may not be permanent. It has become more or less common practice to identify temporary disability with the first six months of disability; disability extending beyond this period is usually considered permanent.

Relationship to Workmen's Compensation

The state workmen's compensation laws provide compensation for workers whose earning capacity has been impaired by injuries sustained in the course of employment, and some laws also provide benefits for workers suffering from occupational disease. If duplication of benefits is to be avoided, the general disability insurance system must include a provision which draws a clear division line between these two systems, both of which serve the common purpose of replacing at least a portion of the wages lost because of disability.

The lack of uniformity in workmen's compensation provisions, as indicated in the preceding chapter, makes it difficult to establish a uniform division between workmen's compensation and disability insurance. There are, however, various alternative ways in which the two systems can be related to each other.

One method would be to exclude from the national disability insurance system all disabilities arising out of or in the course of employment, leaving the compensation of such disabilities to the states. Although this would preclude duplication of benefits actually or potentially payable under workmen's compensation, it has a number of drawbacks. Except in the states with the most liberal workmen's compensation laws, there would be a gap between disability insurance and workmen's compensation coverage or protection. A disabled worker might be disqualified under the disability insurance law because federal officers found that the origin of his disability was connected with his work. Yet he might fail to qualify for workmen's compensation under the state law, because his type of employment was excluded from the state system, or because his right to it was exhausted, or because the state agency had determined that the disability was not due to his employment.

The task of determining whether a given disability arose out of or in the course of employment is often difficult and complex, as is well known from experience with workmen's compensation. Even after all the necessary care had been exercised, a worker might be denied benefits under both systems because the federal agency decided that his disability was work-connected, and the state agency decided the contrary. Or duplicate benefits might be paid if the federal agency determined that the disability was of nonindustrial origin, and the state found that it did arise out of or in the course of employment. These difficulties could be eliminated by providing

that benefits under the federal law would be payable in those cases in which the state authorities held that the disability was not covered by the state law. Such a provision would, of course, make the application of the federal law dependent on the action of state legislatures and administrative agencies in determining the extent to which state workmen's compensation laws cover industrial disabilities.

An alternative policy would be to allow disability benefits to all eligible workers who were disabled within the meaning of the law, even if the disability was of industrial origin. The connection between the worker's disability and his employment would not need to be investigated, but a worker might receive two benefits, one from the federal government, the other from the state workmen's compensation insurance. The combined benefits might exceed the limits usually incorporated in social insurance laws to keep payments below the wages earned from gainful employment. Some arrangement would have to be worked out to insure that the combined benefits did not exceed the wages earned by the worker before he became disabled. This might be achieved by adjusting the disability insurance benefits, if the worker is eligible for workmen's compensation and if the combined benefits exceed a specified limit.

Certification and Rehabilitation

As used in a socal insurance law, the term disability is not purely a medical concept. Unless the disability results in economic loss, it is not compensable under the insurance system. In the certification of disability, a medical examination determines the physical and mental condition of the claimant for benefits; but the economic loss resulting from disability must be measured by an administrative officer familiar with the conditions of the labor market, and conversant with the practices of employers in hiring, or refusing to hire, persons with physical or mental impairments. The determination of disability, therefore, is the result of the combined judgment of the physician and the labor-market or employment agent.

The provision of a small cash income for the worker who has lost his earning capacity assures him basic security, and for the worker whose invalidism is total and incurable this is the best that can be done for him. There is general agreement that the problem of chronic disease should be attacked simultaneously from

another front. Not only are the prevention of invalidism and the restoration of working capacity more valuable than cash benefits from the point of view of the worker and of society, but they may also result in considerable savings for the insurance system through the removal of persons from benefit rolls. Many disabled individuals suffer from conditions which can be arrested or remedied, in part or in whole, if proper care and treatment are furnished; and the insurance system should make funds available for necessary treatment and care if there is a reasonable likelihood that the worker may once more become capable of earning his living.

Physical rehabilitation prolongs and restores the earning capacity of insured workers. Vocational rehabilitation utilizes the remaining earning capacity of a person who can no longer pursue his ordinary occupation. The value of rehabilitation programs for disabled people is attested by the results obtained in other countries which have had considerable experience. Moreover, within recent years in our own country federal and state physical rehabilitation programs have been conducted with considerable success. Retraining for a new occupation, or occupational rehabilitation, may restore earning capacity to persons who are prevented by a chronic disablement from following their ordinary occupation. The retraining programs which are in effect in most states should undoubtedly be available to incapacitated workers insured under the federal social insurance program, and its cost should be met by the insurance fund.

A full program of social insurance against disability would have a threefold purpose: medical and hospital care to prevent and cure chronic disease and sickness; occupational retraining for persons with chronic impairments; cash benefits during periods of sickness and for chronic invalids.

INSURANCE FOR PERMANENT DISABILITY

The federal old age insurance program has opened a way to employees in industry and commerce whereby they, with the help of their employers, can provide an income for themselves after they retire from gainful work. But no similar protection is avail-

able to the worker forced to leave gainful employment because of permanent disability. If chronic disability cuts short the usefulness of the breadwinner, it is still primarily the responsibility of his family to provide for him. The 1950 amended Social Security Act provides federal grants to states for the aid of persons 18 years of age and over who are totally and permanently disabled and who are "in need." This is not insurance, however. The means test requirement assumes that assistance from relatives or other sources is not available; also that the amount of aid from public funds is barely sufficient for minimum needs, with no relation to customary income or living standards.

Experience under the older retirement laws of this country indicates that it is sound to keep the retirement age flexible, and that it is feasible to combine an old age retirement system with a system of insurance against chronic disability. The purpose of both systems is to enable workers with reduced earning capacity to retire from gainful work, and to fill the vacancies created by their retirement with workers of unimpaired efficiency.

Even though the principle of insurance for permanent disability is accepted, there are practical problems of administration and financing. It raises such questions as the extent to which the benefit provisions of old age and survivors' insurance are applicable to a system of disability insurance, what new provisions would be needed, and in what respects the present law would need to be changed so that the combined insurance system against the risks of old age, disability, and death could be soundly and effectively integrated.

The most important and also the most difficult question concerns the types of disability which should come within the purview of a new law. The purpose of a disability insurance system is to grant a benefit to workers who are forced to leave gainful employment for long periods of time or permanently because of loss of, or substantial reduction in, earning capacity due to illness, loss of limb, or other impairment of body or mind. A six-month waiting period would exclude most disabilities of a temporary character, although some last more than six months. If disability benefits are to be restricted to persons who suffer a chronic disability or one presumably long-continued or permanent, a prognosis of the disability must be made after expiration of the six-month waiting period and at stated intervals thereafter.

Because disability insurance requires the payment of benefits over long periods of time, it can be, and often has been, fitted into old age retirement systems. In most other countries permanent disability was included in their original old age insurance systems.[1] In this country retirement benefits for permanently disabled railroad workers have been included in the Railroad Retirement Act since its inauguration.

INSURANCE FOR TEMPORARY DISABILITY

The problem of providing for temporary loss of income because of non-work-connected sickness or injury is receiving considerable attention in many state legislatures. Between 1942 and 1949 five states enacted laws providing such benefits. A 1946 amendment to the Social Security Act permits states which collected employee contributions under unemployment insurance to use these funds for disability insurance and this has encouraged several states to use employee contributions in whole or in part to finance disability insurance programs. The large reserves for unemployment insurance existing under some state systems have raised a question as to the possibility of using part of the employer contribution for disability insurance purposes. Thus, if contributions equal to 1½ percent in a particular state are sufficient to pay unemployment insurance benefits, the state could require the employer to contribute part or all of the cost of temporary disability insurance benefits, and still keep the total cost to him below the original 3 percent levied for unemployment insurance.

If the federal Social Security Act should be amended to permit either the use of federal funds or a reduction in the employer's unemployment tax for sickness benefit purposes, it is likely that a number of states will adopt disability insurance laws which might not otherwise do so. If federal legislation is not enacted, however, it may be many years before all or substantially all the states enact such laws. The experience with state workmen's compensation laws as contrasted with state unemployment insurance laws is pertinent. With no federal incentive, it took almost 40 years be-

[1] Of all the countries that had old age insurance systems in 1949, only the United States, Norway, and Switzerland lacked national systems of invalidity insurance.

fore all the states had enacted workmen's compensation laws, whereas within two years after the passage of the federal unemployment insurance legislation every state had enacted an unemployment insurance law.

Variations in Existing Programs

There is wide diversity in methods of financing and administration, as well as the benefits provided, among the existing state and the federal railroad benefit programs. Four of the state programs are operated under their state unemployment compensation systems and are financed, in the main, by employee contributions. The New York program is administered by the state's Workmen's Compensation Board and is financed by a fixed contribution from employees with employers paying the "excess cost of benefits." The program for railroad workers is administered under the railroad unemployment insurance law but is financed by employer contributions.

The federal Social Security Administration is of the opinion that both temporary and permanent disability benefits should be integrated with the old age and survivors' insurance system. Their experience with existing plans has shown that the two systems of temporary disability and unemployment insurance are so different as to require separate administrative staffs, and that there are definite advantages to claimants, to doctors, and to the public generally in having only one office to look to for information and action on any form of old age and disability benefits.

If insurance for temperary disability is included in the various state unemployment insurance programs and a national system for permanent disability is adopted, a number of administrative problems will arise. For example, if the states enact laws providing sick benefits up to a maximum of 26 weeks, and the federal government enacts a disability insurance law providing benefits after this period, should a person be required to take medical or vocational rehabilitation which might avoid the necessity of paying any federal benefits? If so, should this be required only after the federal government began to pay its benefit, or while the state is paying? Should all cases be transferred immediately from the state to the federal program when it becomes apparent that the disability is permanent? If workers and employers both contribute for permanent disability insurance, as under the present federal old

age insurance law, while only the employees or only the employers contribute under a state law, how can the two be dovetailed?

Many problems such as these raise the question as to the desirability of a single unified disability insurance law which would provide for the payment of benefits in case of both temporary and permanent disability. Although the adoption of such a plan seems unlikely in the immediate future, it will undoubtedly be discussed in connection with the improvement and simplification of the entire social security program in this country. In the meantime much valuable experience will have been gained from the operation of the existing state and railroad programs, and a brief description of their provisions is pertinent.

The Rhode Island Program

The Rhode Island law is the first of its kind in the United States. It was enacted in 1942 and the first benefit payments were made in April, 1943. Under the original provisions 1 percent of the 1½ percent of wages which employees were contributing to unemployment insurance was used for the disability insurance; in 1946 the entire 1½ percent was diverted to sickness insurance, and in 1947 the rate was reduced to 1 percent of wages. No employer contribution for disability insurance is required under the present law. The Rhode Island law in general provides for sickness benefits in the same amount and for the same duration as for unemployment. A one-week waiting period is required after the onset of sickness; hence benefits are payable beginning with the second week of illness.

Some of the important issues involved in the formulation of a temporary disability insurance program and its administration can be illustrated from the Rhode Island experience. Under the provisions of the original law, the definition of "sickness" was not clear as to whether a worker able to work at a job other than his usual job was entitled to benefits. A Rhode Island court finally ruled that ability to perform any work disqualified a worker from receiving benefits. While such a requirement seems appropriate for long-time disability, it seemed inappropriate in a program providing benefits for only 26 weeks. After recovering from a short-time disability, it is to be expected that a worker will return to his former employer or his usual trade, and that inability to perform

his regular or customary work is the more appropriate test as to whether he should receive benefits. The law was amended in this respect in 1946.

The relationship between temporary disability insurance benefits and similar benefits for an industrial injury is an important problem. Under the original law, a worker could receive in full both workmen's compensation and temporary disability insurance benefits. In over 25 percent of such cases this resulted in the individual's receiving more in total benefits than he normally received in full-time wages while working. Under the law as amended in 1946, if a worker is eligible for workmen's compensation, his disability benefits are limited to 85 percent of his average weekly wage at his last regular employment.

Under the original law, insurance benefits were paid while the individual's employer continued to pay his regular wages. This was later eliminated. The original law did not specifically limit benefits to pregnant women, and in some cases a woman was able to collect up to 40 weeks' benefits if the delivery date happened to be near the end of one year. Under the amended law, benefits for pregnancy are limited to 15 weeks, although they may be extended if unusual complications result from childbirth.

At the end of World War II, many insured persons retired from the labor market. This group mainly included aged persons and housewives. Under the original law, they could collect their insurance benefits during sickness or disability even though they were no longer members of the labor force. The law was therefore amended, to prevent the payment of benefits to anyone who has not worked within six months of any week of sickness, or has not applied for work at the U. S. Employment Service.

California, New Jersey, and Washington Laws

The recently enacted laws in California, New Jersey, and Washington all provide for state funds and private plans. If an employer establishes a disability plan which meets certain conditions, his employees do not have to contribute to the state plan nor will they be entitled to benefits under it. Employers pay a small additional amount to the state fund for the added administrative expense arising out of their exemption from the state plans.

The exemption or "contracting out" of voluntary plans per-

mitted under these laws is a complicated and controversial issue which has arisen repeatedly in all types of social insurance, here and abroad. In general, the weight of expert opinion is against the complete exemption or contracting out of private plans, but favors the encouragement of private plans to supplement to the maximum extent possible the basic social insurance benefits provided by law. The major arguments against complete exemption are that it is inconsistent with the social insurance principle of the broadest possible pooling of the risk, and that exemptions result in a higher cost of benefits for those who do not contract out, and in higher administrative costs and greater administrative difficulties.

The California and New Jersey programs, similar to that of Rhode Island, are financed by employee contributions formerly paid into the unemployment insurance funds; in New Jersey employee contributions are supplemented by employer contributions unless their workers are covered by private plans. The Washington program is financed by a new levy of 1 percent of wages on employees. In all three states the total contributions amount to 1 percent of wages. Disability benefits in all three states are about the same as unemployment benefits (maximums range from $22 to $25 a week) and can be paid for a maximum of 26 weeks in any year. Benefits under the permissible private plans must be as great as those under the state plan.

The New York Law

New York's disability law, effective January, 1950, is not related to the unemployment insurance law but is administered by the Workmen's Compensation Board along the same lines as workmen's compensation, with private insurance companies and the state fund competing. Benefits are limited to 13 weeks a year, payable at the rate of one-half of average weekly wages up to a maximum of $26. These benefits are financed by employee contributions of 0.5 percent of wages up to 30 cents a week and employer contributions to cover the additional costs. A special state fund is established to pay benefits to the "disabled unemployed" which, beginning in July, 1950, is financed by annual assessments upon all insured employers to the amount required to maintain adequate reserves.

In New York, benefits may be provided through insuring with a private insurance company or by approved self-insurance, but the state fund does not automatically cover all employers who do not contract out, as in California, New Jersey, and Washington.

Railroad Workers' Sickness Insurance

The railroad sickness benefit program, effective in 1947, is included in the Railroad Unemployment Insurance Act and is financed by the same employer contributions. Benefits are paid on the same basis as for unemployment due to lack of work. The amount of benefits per week range from $8.75 to $25.00, depending upon amount of wages, and are payable for a maximum of 26 weeks after a one-week waiting period in a benefit year. Maternity benefits for a 116-day period are paid, the maximum amount being the same as for sickness.[2] According to the law an individual may receive only one kind of benefit within the same period but is paid the largest of whichever he is entitled, namely, retirement, workmen's compensation, unemployment, or sickness.

HEALTH INSURANCE

Health insurance was one of the earliest forms of social insurance established in foreign countries and today is the most prevalent form of social insurance in operation throughout the world. Of the major industrial countries, only the United States and Canada have no system of compulsory health insurance or comprehensive public medical care. In spite of the current absence of a comprehensive health insurance program, government responsibility for medical care is not new or unknown in the United States. The health functions of state and local governments go back to the very beginning of the country. The federal government provides hospitalization and other types of medical care for seamen, veterans, Indians, members of the armed forces, and certain other groups.

[2] During the fiscal year 1947–1948 approximately 158,000 railroad employees (1 out of every 10 employed) received sickness benefits. Of this total 4300 received maternity benefits. Excluding maternity beneficiaries, sickness benefits average $190 per person for 65 days of sickness. Maternity benefits for this year amounted to a total of almost $2 million. (*Social Security Bulletin*, February, 1949.)

In earlier times illness and health were considered the primary responsibility of the individual and his family, and of state and local governments. With new scientific discoveries in medicine, the industrialization of the economy, and the concentration of the population in urban areas, there arose a growing concern with health matters among workers and their families, as well as among numerous professional groups such as doctors, social workers, and others concerned with the public welfare. The frequent necessity for depending upon charity or relatives during periods of prolonged illness, and the inadequate medical care for large sections of the population, have aroused public interest in ways and means of protecting the general health and providing medical services for persons with low incomes and those physically unable to work.

The Movement for National Health Insurance

The movement for compulsory health insurance in the United States began before the First World War, during a decade of awakening public interest in several forms of social and labor legislation. After that war, during the apparent "permanent prosperity" of the 1920's, public concern for health insurance, like that for other labor legislation, waned. Interest was revived during the early 1930's, because of the widespread hardships resulting from the depression and the release of the reports of the Committee on the Costs of Medical Care.

The Committee on the Costs of Medical Care was a nongovernmental group which was "organized to study the economic aspects of the prevention and care of sickness, including the adequacy, availability, and compensation of the persons and agencies concerned."[3] Its studies, based on a comprehensive survey in 1927–1932, indicated that although illness rates are not markedly different among families at different income levels, the amount of

[3] This Committee was composed of about 50 physicians, economists, public health workers, and representatives of the general public, and its work was financed by a number of philanthropic foundations. Its research staff conducted a five-year survey, the results of which were published in 28 documents. The summary and analysis of the factual data appear in *Costs of Medical Care* by I. S. Falk, C. R. Rorem, and Martha D. Ring; the final report and recommendations appear in *Committee on the Costs of Medical Care*, Report No. 28. Both volumes were published by the University of Chicago Press, Chicago, 1932.

medical care received varies considerably with economic circumstances. Specifically, its studies revealed that almost 50 percent of the members of low-income families received no medical, dental, or eye care during the year, in contrast to 14 percent of those at the highest income levels. Translated into three important types of services received by families at different income levels, as shown in Table 30, the study showed that persons in well-to-do families had twice as many physicians' calls and at least four times more dental and eye care than persons in the majority of wage-earners' families.

TABLE 30. Family Income and Medical Care Received per Year[4]

Family Income	Services Received per 100 Persons: Physicians' Calls[a]	Dental Cases[b]	Refractions or Glasses
Less than $1200	217	12	25
$1200–$2000	227	19	25
$2000–$3000	251	25	40
$3000–$5000	300	35	54
$5000–$10,000	398	52	90
$10,000 or more	532	87	160

[a] Home, office, and clinic calls.
[b] Each course of dental care is counted as a single case.

In 1935, President Roosevelt's Committee on Economic Security included in its report various proposals for health insurance, but no further action was taken, largely because of the opposition of the American Medical Association. Shortly thereafter President Roosevelt appointed another (interdepartmental) Committee on Health and Welfare. A bill to carry out this Committee's recommendations was introduced in Congress in 1939 but was never voted on. Groups who had first-hand knowledge of the problem of adequate medical services for low income families, continued to press for action.

In 1943 Senators Wagner and Murray and Representative Dingell introduced into Congress a bill which provided for a national health insurance program to be administered by the federal government. This was the first time that important health insurance legislation was introduced, with the endorsement of organized

[4] Based on 8639 white families surveyed for twelve consecutive months during 1928–1932. *Costs of Medical Care*, p. 599.

labor, which provided for administration by the federal government. The same general proposal, with various changes and improvements, has been reintroduced in succeeding sessions of Congress.

In 1945, President Truman sent to Congress a special message on national health—the first time in the nation's history that a President had devoted an entire message to a comprehensive national health program. The message made recommendations for a fivefold program: the construction of hospitals and related facilities; the expansion of public health and maternal and child health services; government aid for medical education and research; the prepayment of the costs of medical care through a comprehensive health insurance program; and insurance benefits for the loss of wages from sickness and disability. In support of his recommendation for health insurance, President Truman said, in part:

> Everyone should have ready access to all necessary medical, hospital, and related services. I recommend solving the basic problem by distributing the costs through expansion of our existing compulsory social insurance system. This is not socialized medicine. A system of required prepayment would not only spread the costs of medical care, it would also prevent much serious disease. . . . This health fund should be built up nationally in order to establish the broadest and most stable basis for spreading the costs of illness and to assure adequate financial support for doctors and hospitals everywhere. If we were to rely on State-by-State action only, many years would elapse before we had any general coverage. . . . Medical services are personal. Therefore, the nationwide system must be highly decentralized in administration. The local administrative unit must be the keystone of the system so as to provide for local services and adaptation to local needs and conditions. People should remain free to choose their own physicians and hospitals. . . . The legal requirement on the population to contribute involves no compulsion over the doctor's freedom to decide what services his patient needs. People will remain free to obtain and pay for medical service outside of the health-insurance system if they desire, even though they are members of the system; . . . Likewise physicians should remain free to accept or reject patients.

Following the President's recommendations for a comprehensive national health program, Congress appropriated some money for federal grants-in-aid to the states for the construction of

hospitals and the establishment of mental health services. Increased appropriations were also made to permit the expansion of maternal and child health services. But no action has yet been taken by Congress toward establishing either a national health or a disability insurance program. Organized labor and a number of other groups have made strenuous efforts to secure favorable congressional action but they have been opposed by organized medicine and some employers' groups.

CONTROVERSIAL ASPECTS OF A NATIONAL HEALTH PROGRAM

Although there is great interest in health and health insurance in the United States, the methods to be adopted for dealing with these problems are still a highly controversial subject. In view of this fact, some common understanding of the controversial terms and ideas is essential to a proper understanding of the subject.

Health insurance in other countries usually covers both medical services and cash payments for wage loss due to sickness or disability. In the United States, however, these two aspects of a health program have been considered separately. Undoubtedly, the reason for this separate consideration has been the fact that the organized medical profession has vigorously opposed compulsory insurance with respect to medical services or costs, whereas it has gone on record in favor of compulsory insurance to provide benefit payments during periods of disability.

In public discussions health insurance is frequently confused with socialized medicine. Health insurance is primarily a method of prepaying the costs of medical care, with free choice of doctor by the patient and free choice of patient by the doctor. Under socialized or state medicine, doctors are employed by the government, usually on a full-time salaried basis; there is little or no free choice by either patient or doctor. Medical care for veterans in veterans' hospitals, and state or local medical care for the tubercular and the insane can be considered as socialized or state medicine. In reality, medical care has always had a social or socialized aspect because of the public responsibility for the care of some groups, and the public employment of doctors and other

professional persons in public hospitals. A more proper term would be "public medical care" to parallel the use of the term "public education," since there is much similarity in the basic principles of both services.

Several countries already have in operation, and others are contemplating putting in operation, a general system of state medicine.[5] The major issues in the United States revolve around whether medical care shall be guaranteed to all persons in a community as a matter of right, and whether in doing so, either through compulsory insurance or otherwise, the conditions regarding the selection of physicians will be so modified that the program will involve a basic change in the existing methods of medical practice.

Opposition to Compulsory Health Insurance

The chief opposition to compulsory governmental health insurance has come from the American Medical Association,[6] which officially speaks for most of the physicians throughout the country, although some individual doctors and local medical groups have expressed opinions contrary to that of the national organization. The Association has recently endorsed voluntary health insurance plans but vigorously opposes a compulsory program administered by the government. Summarizing its objections, a representative of the Association has said: "Voluntary health plans will, if given the opportunity, do the job, and do it better than Government-controlled plans can do. These plans, which already include a very large number of persons, are in accord with our traditional emphasis on personal responsibility, prudence, foresight, and thrift. They have an American dignity which is lacking in the regimentation of compulsory health insurance. They can be and are more economically administered, they can and do give better medical care, and they will be and are supported

[5] The most recent is the British National Health Service which went into effect in July, 1948. Under this service the individual contributes between $1 and $1.50 a week and receives medical and hospital care, needed medicines and surgical appliances, dental care, and any other medical service ordered by the doctor.

[6] In order to finance its propaganda campaign against a national health program, the American Medical Association in 1948 voted a $25 a year levy on each of its members, totaling more than $3 million a year.

by thousands of physicians who are bitterly and unalterably opposed to Government-controlled medicine."[7]

The attitude of the American Medical Association on compulsory governmental disability insurance is different from its attitude on compulsory governmental health insurance. For a number of years the Association has endorsed proposals for providing social insurance benefits in case of disability. Payment of such benefits, of course, would enable people to pay their doctors' bills. It would also encourage them to see a doctor promptly when they became sick, since medical certification is needed to claim benefits. In this way the health of the patient and the financial status, both his own and the doctor's, would be improved.

The United States Chamber of Commerce statement of policy on insurance matters, adopted in 1946, summarized its opposition to an insurance plan for temporary disability and also medical care costs, as follows:

> Legislation, either by the federal government or the states, that is designed to extend the government-operated Social Security System to the accident and health, hospitalization, and medical care field is strongly opposed. Such action is in direct competition with services and benefits now provided by private initiative and tends toward direct governmental control and supervision over physicians, hospitals, and all other groups providing medical care.
>
> If, in any state, the public interest requires that sick benefits be more widely provided, such insurance may be provided on principles similar to the workmen's compensation laws, which are preferable to government expropriation of this field of service. Such insurance should be carried with private insurance companies which have demonstrated that they can administer insurance plans more efficiently than government and free from political influence, and at low cost.

Arguments for Health Insurance

Those who advocate compulsory health insurance believe that neither the course of present developments in this country, nor the experience of other countries which have tried voluntary health insurance, gives any indication that comprehensive and adequate arrangements to insure medical costs can be made in any way ex-

[7] Hearings on S.1606, National Health Program, before the Senate Committee on Education and Labor, 79th Congress, 2nd Session, 1946, p. 627.

cept through a compulsory insurance system. The principal limitations of voluntary plans, they point out, have been inadequacy of coverage, restrictions on services, limitations on membership, failure to relate contributions to ability to pay, relatively high costs, and lack of consumer or public representation in management.

Advocates of health insurance maintain that health insurance would enable self-supporting families to pay for and obtain needed medical services without any important alteration in the present form or organization of medical practice. Moreover, families dependent on public funds could be covered through payment of contributions on their behalf by the agencies administering public assistance, so that the needy individual would receive care in the same way in which self-supporting persons receive it —without the stigma and inadequacy of the present "poor-law medicine."

According to the Social Security Administration, the much-advertised fears of "socialized medicine," "regimentation" of physicians and patients, loss of the patient's freedom to choose his doctor, and deterioration of the quality of the care, can be made wholly groundless. A system of health insurance can and should be so designed as to avoid these disadvantages. By making these services readily available to those who need them, the quality and effectiveness of service may be improved, and the incomes of doctors and hospitals may be better and more secure. If, at the same time, professional education, research, and the construction of needed facilities are aided financially, progress in medicine and improvement in our national health can be greatly accelerated.

In recommending the establishment of a health insurance plan, the Social Security Administration has stated that it would be simplest, most economical, and most effective to establish comprehensive protection through federal legislation, while providing authority to utilize state agencies and other local facilities. It recommends that administration of benefits be so decentralized that all the necessary arrangements with doctors, hospitals, and others would be worked out on a local basis, the general pattern of these arrangements being developed with the collaboration of professional organizations and with careful regard for regional, state, and local circumstances. Local needs and interests would

be protected by having the local, state, and federal policies and operations in each area of administration guided by advisory bodies representing those who pay the insurance contributions and those who provide the services.

It has been estimated by the Social Security Administration that contributions equivalent to about 3 percent of the annual earnings would pay for adequate basic medical and hospital services for both workers and their dependents. A more comprehensive system would cost the equivalent of about 4 percent. These costs would be less than the present average expenditure of families in the low-income groups for medical services.

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